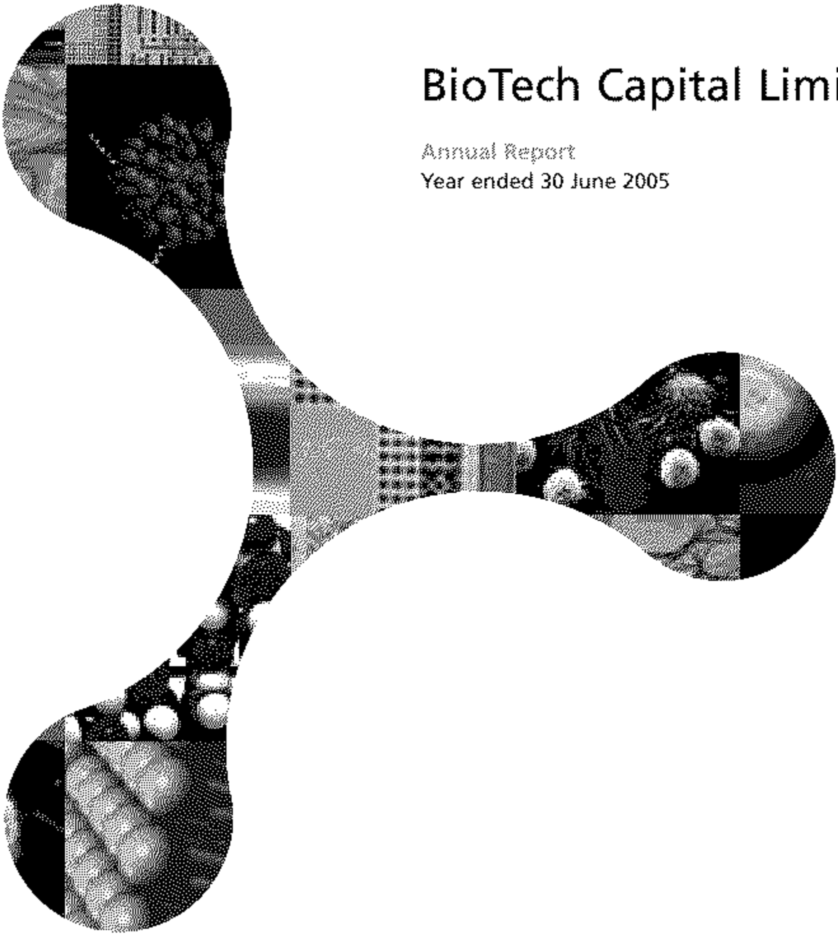
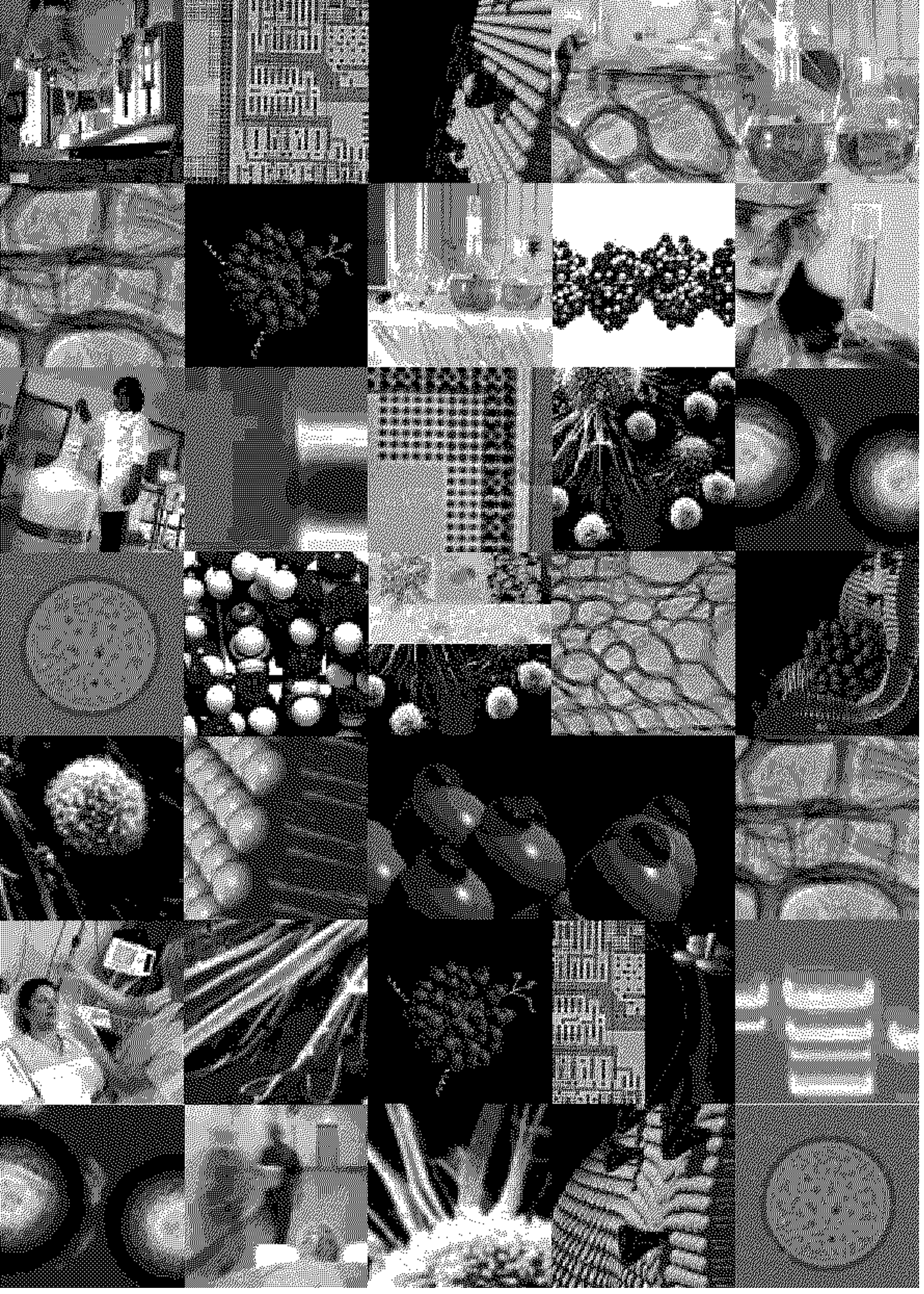


BioTech Capital Limited

Annual Report
Year ended 30 June 2005

BioTech Capital Limited
ABN 45 091 979 172

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



Contents

2 Chairman's Report
4 Investment Managers Report
34 Directors' Report
43 Corporate Governance Statement
76 Corporate Directory

BioTech Capital is a specialist fund focused on life sciences, that invests in Australian companies seeking to develop and commercialise innovative science and technology.

Chairman's Report

It is a pleasure to present to you the 2005 Annual Report of BioTech Capital Ltd. BioTech Capital is a specialist fund that invests in Australian companies seeking to develop and commercialise innovative science and technology in the life sciences sector. Our investment objective is to deliver superior capital growth to our shareholders over the medium to long term by selectively investing in companies with strong potential for growth through the commercialisation of a product, device or technology.

The 2004-2005 financial year represented a milestone in the history of the company. Traditional private equity funds typically have three phases. The first phase is the active investment phase in which funds are committed and this typically represents the first three to five years. The second phase is the building and maturing phase in which investees grow their businesses and achieve key milestones. This period is usually a further three to four years following the initial investment. The final phase is when investment gains are realised and profits returned to investors.

We believe BioTech Capital is now in the second phase of the life cycle described above. A number of portfolio companies achieved milestones that have led to increased value to the fund and several companies raised capital in the public equity markets at significantly higher valuations than our entry price.

These include Stem Cell Sciences which was able to successfully raise capital on the London Stock Exchange's Alternative Investment Market (AIM) at approximately double our cost price. This is a testament to the quality of the scientific pedigree of the company and its management.

Another portfolio company to raise capital was new investee Phylogica which listed on the Australian Stock Exchange at well above our entry price. Phylogica is a company with a novel method to reduce the time required to discover drugs and bring them to market.

Continence Control Systems has begun recruiting patients for a pilot trial of its treatment for severe urinary incontinence, a US$1 billion per annum market. This marks a very significant milestone for the company.

Our imaging company, XRT, reported solid progress in the commercialisation of its unique high resolution imaging platform. We recently announced that the company had raised significant funds from a syndicate of London-based investors at close to a 100% premium on our cost base.

Additionally, Clinical Cell Culture has continued to expand the scope of its business internationally and is now poised to take its technology to multiple markets in the upcoming 2006 year after securing regulatory approvals in Europe and Japan and seeking approval for the key USA market.

The major disappointment for the year was in the performance of former investee company Proteome Systems following its listing in late 2004. This stake was sold at a loss to the fund. This was offset by the profitable disposal of our stake in Xenome and the sale of options in Clinical Cell Culture ahead of their expiry date.

Overall, we are very pleased with the above, which clearly demonstrates that our portfolio has continued to progress despite the sentiment in the financial markets towards the biotechnology sector in Australia being far from positive during the past financial year. Investors have avoided the biotechnology sector as they enjoy excellent returns in other sectors, particularly resources.

At the time of writing, our share price was trending upwards due in part to the listing of portfolio companies such as Stem Cell Sciences and Phylogica and what appears to be a return to the sector by investors who have realised the sector has been oversold.

It is clear that underlying value has been growing in the company although not immediately reflected in the share price. To help address this and better communicate the story to investors, we recently commissioned a detailed research report on BioTech Capital. The full report can be viewed on our website at www.biotechcapital.com.au. I would also encourage you to register your details on our e-mail update list at our website to ensure you are kept informed of company announcements as they are made.

I thank you for your support as shareholders and look forward to reporting further progress and growth in the portfolio over the next 12 months. I also look forward to meeting with as many of you as possible at our forthcoming Annual General Meeting at the AGL Theatre, Museum of Sydney, on 28 November at 2.30pm.

Bill Ireland
Chairman

Investment Manager's Report
Introduction

BioTech Capital considers investment opportunities in companies across the spectrum of the life science industry from start-up companies to Private Investments in Public Entities (PIPEs). While our focus is clearly on unlisted investment opportunities, we also invest in listed markets provided we have a strong knowledge of the company and the ability to influence the company's development. Generally, when investing in listed companies, BioTech Capital is able to invest on more favourable terms than our shareholders could access independently, in relation to pricing, issuance of options and requests to hold Board positions.

Offices

6 Henrietta Street
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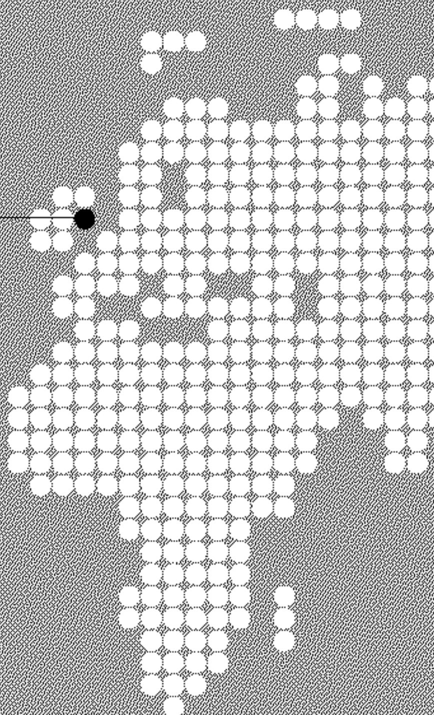
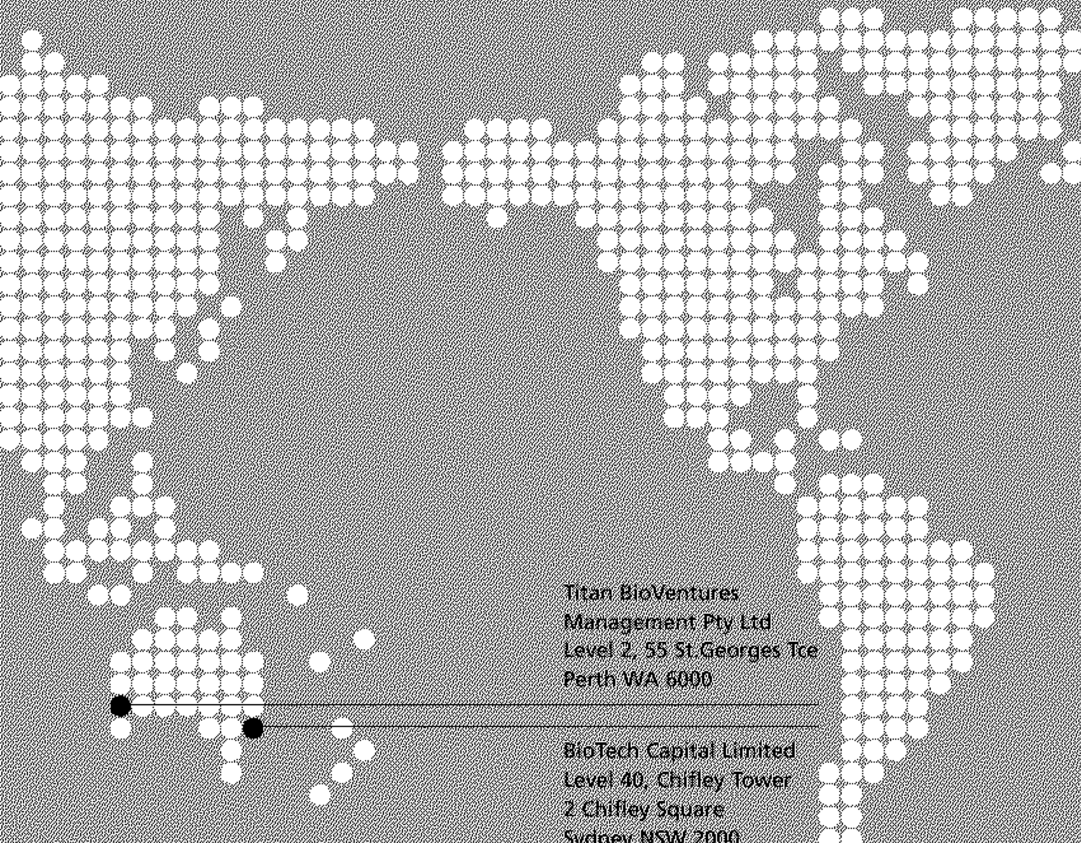


The company is managed externally by Titan Bioventures Management (Titan). Titan has responsibility for sourcing, evaluating, investing and managing the company's investment portfolio. Titan is unique in the Australian market in that it is a specialist in the life sciences sector and has offices both in Australia and London providing BioTech Capital with access to specialist global networks. Titan adopts a very active stance with its investments and works extremely closely with companies to maximise the chances of successfully meeting milestones and executing business plans.



Global Market Review

The year was a period of mixed news flow for the US biotechnology sector, which dominates the broader global market and has ramifications on the much smaller Australian biotechnology market. As a result, the US biotechnology sector never really gained momentum and drifted lower until recently when the NASDAQ Biotech Index recovered value as investors started buying back into the sector.

The positive news centred on the impressive fund raising efforts of the industry that boosted the balance sheets of key sector leaders and in turn fuelled a charge in IPOs. Thirty seven biotech companies listed on the US public markets in 2004, although the rate slowed in 2005 with just seven biotech companies listing in the first two quarters of the 2005 calendar year.

37 US companies completed IPOs raising US$21.1 billion at an average issue size of US$55.5 million

The sector continued to demonstrate its growing maturity with 40 new biotech drug and vaccine approvals in 2004 to treat diseases such as cancer, hypertension and macular degeneration. In Europe the market conditions for IPOs were not so upbeat and some companies planning an IPO were unable to find sufficient support from investors. Going against this trend was our own portfolio company, Stem Cell Sciences, listing on the London Stock Exchange AIM market in July 2005 after successfully raising £6 million.

Drug safety caused a major revaluation of the sector after two drugs were withdrawn. The first was Merck's blockbuster Vioxx, based on clinical trial data that indicated an increased risk of heart attack and stroke. As a result, the company's stock shed a quarter of its value. The second was the suspended sales of multiple sclerosis drug Tsyabri in February 2005 by Biogen Idec and Elan following observation of serious side effects. Tsyabri was widely expected to be one of the success stories of the year, with peak sales in the billions of dollars. Its withdrawal from the market just three months after FDA approval had a negative impact on market sentiment.

For a couple of years now, venture investors have demonstrated a clear preference for products, forcing companies to focus on commercializing their innovations in a shorter time frame. A similar message from the public equity markets should accelerate the industry's path to products and profitability – to the benefit of investors, companies, and the patients for whom these products are ultimately developed.

(Page 16; Coming of Age; Ernst and Young: Beyond Border: The Global Biotechnology Report 2005)

Australian Market

The Australian biotechnology market also had a mixed year over the 2004-2005 period. The latter half of 2004 was a period of robust financing activity with a significant number of companies going public or raising additional capital through placements and rights issues. In the second half of 2004, 10 biotech companies listed on the Australian Stock Exchange, raising $126 million in the process.

In the first half of 2005 seven more biotech companies listed on the ASX through an IPO, including BioTech Capital investee company, Phylogica. However, for those companies who have successfully gone public, it has been difficult to maintain post-listing support as investors enjoy excellent returns in other sectors. Nonetheless, our investments have been solid. Whilst Phylogica was trading marginally below its IPO price of 20 cents at the time of writing, it represents a favourable valuation compared to our average entry price of 8.5 cents.

In Australia, the bearish sentiment toward biotechnology stocks has been mainly directed towards the smaller market capitalisation technology focused companies, while many larger, more mainstream healthcare stocks have enjoyed very good returns. Overall the ASX Healthcare index was up approximately 40% over the past year driven by acquisition activity from companies such as Ramsay, DCA Group, Healthscope and Mayne.

Speculative Issues Back in Fashion:

"Speculative and higher risk biotechnology offerings were back in vogue on the Australian Stock Exchange yesterday, with inflammatory disease specialist Phylogica the strongest performer of the three latest companies to secure a public listing."

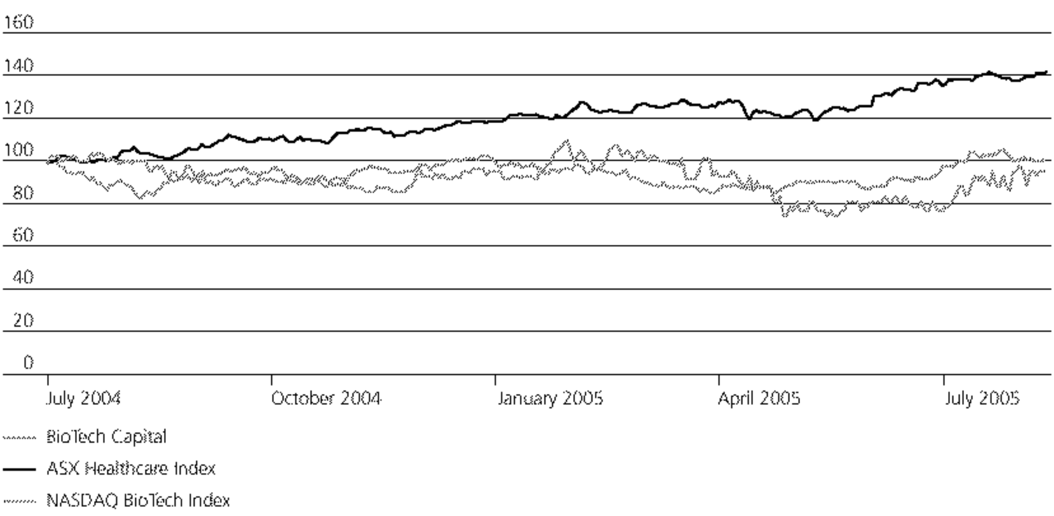
(AFR - 31 March 2005)

Performance

The share price of BioTech Capital continues to show a high correlation with the NASDAQ Biotech Index which is expected given the nature of the BioTech Capital investment portfolio and the structure of that index. The NASDAQ Biotech Index is considered to be the best global barometer of sector performance and prevailing investor sentiment. On the other hand, the S&P/ASX Australian Healthcare Index is dominated by a small number of very large companies in the health services sector (e.g. Hospital operators, pathology businesses etc.) that do not accurately reflect the more typical biotechnology sector and as such is not considered to be a good comparative benchmark.

The chart below indicates that the NASDAQ Biotech Index began trending upwards earlier this year signalling a return to positive sentiment after an extended period of sideways movement. BioTech Capital is also enjoying an upward trend in its share price.

Relative Performance Since Listing



Investment Activity and Review

BioTech Capital, via Titan Bioventures as Investment Manager, has access to a global network that connects academia, consulting, legal, venture capital, investment banking and the public markets. Consequently, the investment team at Titan sees and reviews a steady flow of investment opportunities. The team then applies a rigorous analytical framework to the investment process, which sees the rejection of most of the companies considered by the fund. This year new investments were made in two companies – Phylogica and Prima Biomed – and follow-on investments were made in Continence Control Systems, Pacific Knowledge Systems and XRT. The fund divested its shareholdings in Xenome and Proteome Systems over the period.

Phylogica Ltd

The most recent investment of the fund has been in Phylogica (ASX:PYC), a new generation drug discovery company developing novel therapies for a range of diseases. The company has already identified lead compounds to target asthma, inflammation, cancer and stroke.

The company's unique 'Phylomer' technology arose from collaborative research between the Telethon Institute for Child Health Research in Western Australia and the Fox Chase Cancer Center in Philadelphia, USA. Phylogica is the first company to be spun out from the Telethon Institute, which is headed by Professor Fiona Stanley, named Australian of the Year in 2003 for her commitment to research into child health.

Phylogica's proprietary technologies are directed toward the development of cost-effective therapies for disease that exhibit fewer side effects than existing treatments. Phylomers are small pieces of proteins ('peptides'), each with a different shape and structure, with the potential to interact specifically with disease-causing proteins. Phylogica has a unique ability to build complex libraries of phylomers for screening as drug candidates and select the most suitable phylomer from early stage candidates in the drug discovery process.

These phylomers have several competitive advantages as drug candidates over alternative therapeutics, particularly antibody-based therapies, due largely to their relatively small size. These include greater drug specificity and reduced side effects, lower cost production and reduced probability of unwanted immune responses.

BioTech Capital invested $2 million in Phylogica as a private equity investment in early 2005 and a further $500,000 when Phylogica raised $5 million via a listing on the Australian Stock Exchange on 30 March 2005. With a shareholding of 27.04%, BioTech Capital is the largest shareholder in Phylogica and has representation on the Board.

Prima Biomed Ltd

Prima Biomed (ASX:PRR) is a publicly listed biotechnology company developing technologies for products in the area of cancer immunotherapeutics and inflammation. Prima Biomed has a portfolio of four projects arising from research undertaken at Melbourne's Austin Research Institute (ARI). These are:

- CancerVac: a potential treatment for ovarian cancer currently at the stage of a Phase II clinical trial
- Arthron: exploitation of the Fc receptor for the treatment of autoimmune diseases such as rheumatoid arthritis
- Panvax: a technology advancing towards clinical trials in colon cancer
- Oncomab: developing a suite of antibodies as therapies in key cancer disease areas

BioTech Capital took part in a $10 million capital placement for the company with an investment of $924,000, resulting in a shareholding in the company of approximately 4.9%. BioTech Capital and other investors in the placement received a free option issued on a 1:3 basis. The funds will be used to progress the company's portfolio of projects, including completion of a Phase II clinical trial for CancerVac and submission of an application for a Phase I trial of the DCtag technology in colon cancer.

Since BioTech Capital invested in Prima Biomed, the company has signed a second partnership deal with ZymoGenetics for the Arthron subsidiary for an option to evaluate an anti-inflammatory biological inhibitor of the Fc receptor for up to two years with a series of milestone payments. The deal meshes with Prima's business strategy of partnering with global biopharmaceutical companies and follows Prima's research agreement with AstraZeneca earlier in the year.

Prima broadened its asset base by acquiring an exclusive worldwide royalty-free licence to three new patent applications from the ARI. The inventions described by the patent applications complement the suite of patents already held by Arthron and will place Prima in a stronger position when negotiating development and licensing deals with partners in the future.

Follow-on Investments

Follow-on investments are a common private equity practice and are made for a number of reasons. The most common reason is that it allows investment in regulated stages to reduce risk and the provision of subsequent capital only if the company successfully achieves certain agreed value adding milestones. In other situations, where the company is making business progress but requires only a relatively small amount of capital to get to the next level in its evolution, it often benefits shareholders to each contribute a small injection of funds to allow management to focus on the task of achieving business milestones instead of the time consuming capital raising process. Our follow-on investments were as follows:

- A second tranche of $2 million was invested into our existing portfolio company Continence Control Systems upon the commencement of patient recruitment for pilot human trials of the company's severe stress urinary incontinence technology.
- An additional $123,000 was invested in Pacific Knowledge Systems as part of an internal shareholder funding round to boost working capital for the company to deploy a new software product.
- An additional $125,000 was invested into XRT to facilitate the company's relocation to the UK and provide working capital to complete several significant value adding deals.

Divestments

BioTech Capital proceeded with the sale of its entire shareholding in Xenome to the Queensland Biocapital Fund. In addition, other key shareholders in Xenome also disposed of their stakes to the same group at the same time. The decision to sell this holding came about due to significant, intractable differences in opinion over the future direction of the company. This was despite extensive and, ultimately, unsuccessful attempts to resolve these differences. Transaction proceeds were in excess of our $3.5 million investment, resulting in a profit for the fund.

We also disposed of our option position in Clinical Cell Culture ahead of their expiry date in December 2004. These options were issued free to BioTech Capital as part of our original investment in the company such that all proceeds realised were profit.

Unfortunately, our divesture of the fund's shareholding in Proteome Systems resulted in a loss of approximately 90% of our original investment. BioTech Capital sold down the shareholding via a series of on-market transactions following a very disappointing share price performance of Proteome Systems on the Australian Stock Exchange post listing on September 30, 2004. The company has since replaced its Managing Director and is embarking on a strategy designed to resurrect their fortunes including significant reductions in expenditure and the sale of certain previously key activities.

Due to the nature of the biotechnology industry there will inevitably be companies in the portfolio that do not perform as well as we would have hoped and others that perform beyond expectations. This is the underlying reason why we adopt a portfolio approach to investment. We believe the current portfolio indicates that overall, the outlook is very positive .

Portfolio Analysis

BioTech Capital's investment portfolio contains 10 companies:

- Alchemia
- Biocomm
- Clinical Cell Culture
- Continence Control Systems
- Pacific Knowledge Systems
- Phylogica
- Prima Biomed
- Starpharma
- Stem Cell Sciences
- XRT

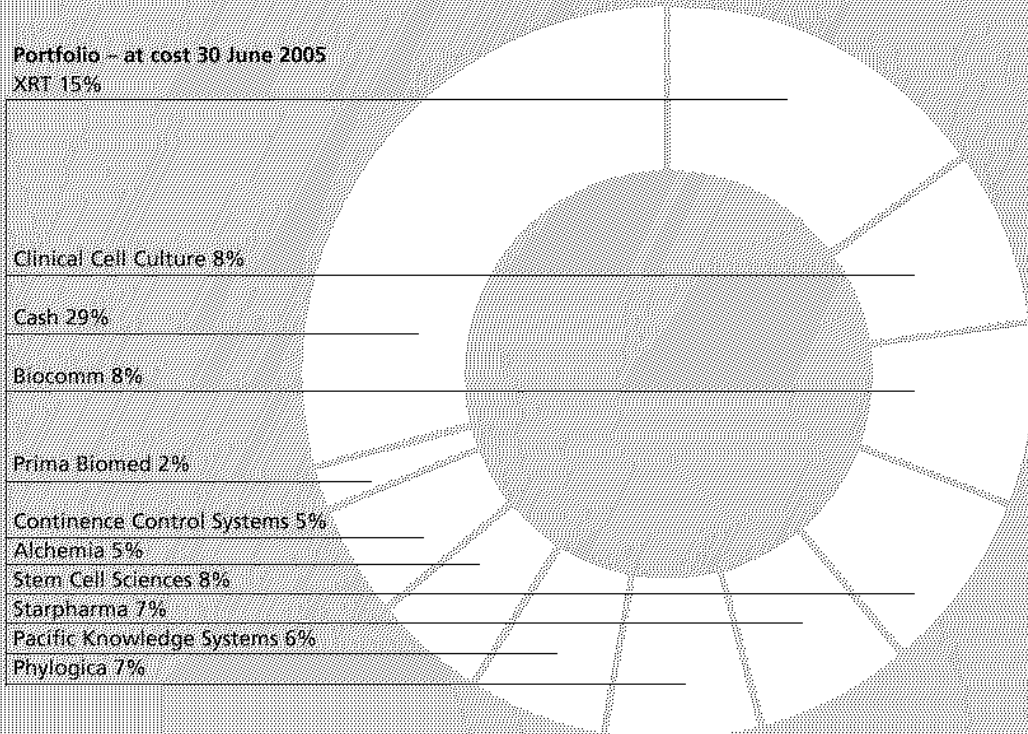
The chart below indicates the current weighting of each investment in the portfolio based on both cost price and current valuation as at 30 June 2005. At this date, the fund was approximately 76% invested with holdings in five private companies and five companies listed on the Australian Stock Exchange. Since balance date, Stem Cell Sciences has gone public.

This time last year, the fund was invested in seven private and three public companies. In summary, the changes to the portfolio were the exits from Xenome and Proteome Systems, the investment in and subsequent listing of Phylogica on the Australian Stock Exchange and a new investment in a public company – Prima Biomed.

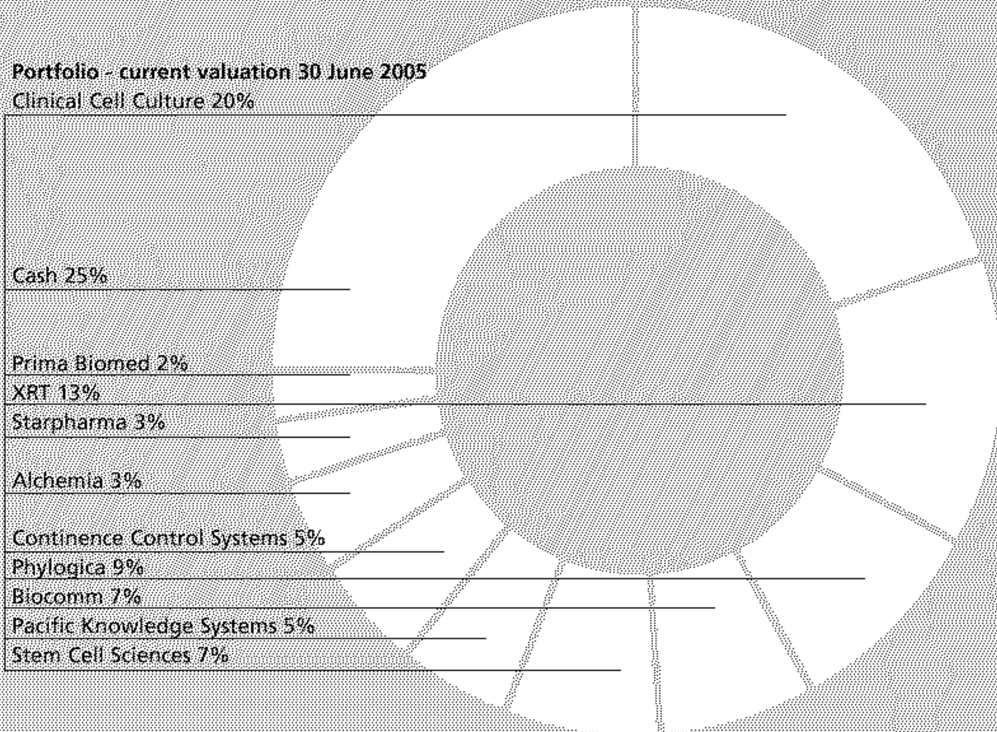
BioTech Capital has board-level representation on six of the 10 portfolio companies – Biocomm, Continence Control Systems, Pacific Knowledge Systems, Phylogica, Stem Cell Sciences and XRT.

The composition of the portfolio is well diversified by investment stage, scientific focus and product development. We have companies in the portfolio with strengths in emerging technology fields such as nanotechnology, stem cell biology, tissue engineering and glycobiology. Some of the companies are focused on drug discovery while others are developing enabling technology platforms or medical devices. Additionally, the companies range in maturity from private start-ups to listed entities. This is in line with our original target of constructing a diversified portfolio of 10-20 investments that give our shareholders easy access and broad exposure to a group of high quality companies in the life sciences sector.

Portfolio – at cost 30 June 2005



Portfolio - current valuation 30 June 2005



Portfolio Progress Report

Overall the companies in the portfolio have made solid progress over the past 12 months in achieving scientific and technical milestones, revenue growth, product sales or licensing, new partnerships and collaborations, success with research grants and new public or private investments. A summary of the activities of the existing investee companies is presented below.

Investment highlights
Compelling technology, strong patent portfolio, alliances with Dow Chemical and American Pharmaceutical Partners, growing pipeline of drug compounds, and established US presence.

Alchemia (ASX:ACL) has core expertise in carbohydrate chemistry. Carbohydrates form a complex group of molecules that includes the well-known dietary sugars and starches. Carbohydrates are found on the surface of every cell in our body where they play a critical role in many of the biochemical processes associated with human health. Alchemia's technology makes it possible to explore, develop and exploit the potential of carbohydrates in drug discovery far more efficiently than has been previously possible.

During the year, Alchemia announced that it would advance its lead anti-cancer compound into human clinical trials following a thorough assessment of the drug's suitability in preclinical studies. Alchemia has assembled an oncology development team of internal management and external consultants with expertise in pharmacology, toxicology, drug manufacture and preclinical, clinical and regulatory matters, to oversee the project's clinical development program. The anti-cancer compound belongs to a novel class called 'somatostatin agonists' that reduce the ability of new blood vessels to grow into and nourish the developing tumour. The market potential for somatostatin drugs is significant with the three that are currently available expected to achieve combined sales in excess of US$1 billion in 2005.

Alchemia received a grant under the Federal Government's Pharmaceutical Partnerships Program worth up to $7.8 million for research and development. This funding will assist the company's drug development projects – including the anti-cancer and anti-bacterial programs – and the identification and evaluation of preclinical development candidates using Alchemia's novel VAST™ drug discovery platform in other therapeutic areas.

Approval by the FDA to extend current indications of GlaxoSmithKline's branded synthetic heparin drug Arixtra® should increase the size of the potential market for Alchemia's generic version of Arixtra®, which is expected to be released in 2008. Total sales for heparin-related drugs exceeded US$3.5 billion in 2004. GlaxoSmithKline has indicated that it will apply for additional approvals that will continue to grow the overall size of the Arixtra® market and by extension the market for Alchemia's generic version.

Business	**Combinatorial chemistry, carbohydrates**
Location	**Brisbane Australia, Redwood City, California USA**
Date of first investment	**February 2001**
Board seat	**No**
Funds invested	**A$2,000,000**
Equity ownership	**3.10%**

Alchemia

Biocomm is one of Australia's leading technology management and commercialisation organisations providing seed funding, scientific and commercial assessment and licensing. Members and partners of the Biocomm network include prestigious research institutions in Victoria and financial partners with deep experience in life science investment.

The number of investments in the Biocomm portfolio has increased to three with the recent addition of Hatchtech and CNS Bio to the existing Cryptopharma investment. Hatchtech is developing a novel technology to control ectoparasites. The company is developing a product for better treatment of head lice in humans that will later be extended to the treatment of lice that affect livestock. CNS Bio will develop novel therapies targeting pain relief for cancer patients. Cryptopharma is a biopharmaceutical company developing anti-inflammatory compounds with potential for the treatment of asthma, pulmonary fibrosis and other chronic inflammatory diseases of the lung.

Biocomm has also been successful in a number of licensing and business development deals with academic and commercial clients located in Australia, Japan, Canada, Ireland, United Kingdom and the USA.

The structure of our investment in Biocomm means downside to investors is low whilst retaining the benefits of any upside in terms of value creation.

Investment highlights
Unique business model, access to opportunities in Victoria which is high generator of early-stage life science intellectual property, attractive investment structure, and high calibre of co-investors.

Business	**Intellectual property commercialisation**
Location	**Melbourne, Australia**
Date of first investment	**June 2002**
Board seat	**Yes**
Funds invested	**A$3,000,000**
Equity ownership	**19.9%**

BIOCOMM

Clinical Cell Culture (ASX:CCE) is a tissue engineering company with a pipeline of products to treat burns, wounds and other defects requiring skin replacement. These products have significant advantages over existing products including rapid expansion when grown in the laboratory, time to healing and ease of use resulting in improved patient outcomes.

C3 received its first regulatory approval for ReCell® from the Japanese Ministry of Health to allow the initiation of sales – well ahead of internal forecasts – into the Japanese market, the second largest health care market in the world and one of the most profitable. The company has signed a distribution agreement with JMEC, a leader in the provision of aesthetic and plastic surgery products in the Japanese market. JMEC made an initial payment of A$350,000 for the distribution rights for ReCell® in Japan and the first order, valued at A$400,000, was received early in 2005.

Investment highlights
Strong management with appropriate European links, large potential market, attractive valuation entry point (over 1300 patients have already used the technology), rich pipeline of products and research projects, and sufficient cash reserves.

ReCell® has also received regulatory approval for sales into Europe with the receipt of CE mark approval, which provides market access to 28 countries in Europe. In readiness for the commencement of sales, C3 has already appointed 13 distributors with established channels to burns centres and the plastic surgery market in 15 European countries.

The company is currently awaiting approvals from the key US FDA before commencing sales in the important US market.

C3 also announced a research collaboration with Curtin University of Technology, Western Australia and the McComb Research Foundation to accelerate the pathway to market for EpiGrow®, one of C3's development products. The R&D is aimed at positioning EpiGrow® for treatment of chronic wounds, the largest commercial sector of the global wound care market.

Business	**Tissue engineering**
Location	**Perth, Australia/Cambridge, United Kingdom**
Date of first investment	**August 2003**
Board seat	**No**
Funds invested	**A$3,094,101**
Equity ownership	**13.2%**

Continence Control Systems is a start-up company formed to commercialise a new treatment for severe urinary incontinence, defined as the involuntary loss of urine from the bladder. This treatment will address a currently unmet medical need for large numbers of people for whom other surgical treatments have failed. The potential market is estimated to be in excess of A$1 billion per annum.

CCS has combined intellectual property and science from the University of Melbourne with customised implantable stimulation technology developed by Cochlear Ltd, the world leader in cochlear implants. The company has a management team with considerable experience in the implantable medical device field to lead the commercialisation effort.

Investment highlights
Large potential market opportunity, a solution for a market with an unmet medical need, and attractive valuation entry point.

CCS obtained an AusIndustry R&D START grant of A$946,000 toward the financing of pre-clinical and pilot clinical studies in Australia.

CCS also announced in July 2005 that it had commenced patient recruitment following completion of pre-clinical studies and the receipt of human ethics approval for human implants. The first implants in humans are expected to take place by December 2005, representing an important milestone for the company on the path to commercialisation.

Business	**Medical device**
Location	**Sydney, Australia**
Date of first investment	**June 2004**
Board seat	**Yes**
Funds invested	**A$4,000,000**
Equity ownership	**33.7%**

Continence
CONTROL SYSTEMS

Pacific Knowledge Systems has commercialised technology known as Ripple-Down-Rules into a product (LabWizard™) specifically designed for the pathology industry. LabWizard™ was designed as a productivity tool for pathologists to assist in the interpretation of pathology results. It is in use at a range of sites across Australia.

The underlying technology has multiple applications, providing an opportunity for the development of other products. Recently, the company successfully tested a new application and entered a pilot agreement to extend its client base into Europe. The company also won a new multi-year contract for a major client in the Australian market.

One of the world's largest pharmaceutical companies is sponsoring another product under development that will give the user the ability to retrieve and filter data for research purposes. If early success is translated into a marketable product the company will gain the potential for significant expansion of its revenue base.

Investment highlights
Compelling and novel technology, clear market application in the pathology industry, and demonstrated applications to other industries.

Business	**Informatics, pathology industry**
Location	**Sydney, Australia**
Date of first investment	**December 2000**
Board seat	**Yes**
Funds invested	**A$2,320,841**
Equity ownership	**26.3%**

PACIFICKNOWLEDGESYSTEMS

Prima Biomed (ASX:PRR) is a publicly listed biotechnology company developing technologies for products in the area of cancer immunotherapeutics and inflammation. Prima Biomed has a portfolio of four projects arising from research undertaken at Melbourne's Austin Research Institute (ARI). These are:

Investment highlights
Diverse portfolio, strong corporate collaborations, strong intellectual property position.

CancerVac: a potential treatment for ovarian cancer currently at the stage of a Phase II clinical trial Arthron: exploitation of the Fc receptor for the treatment of autoimmune diseases such as rheumatoid arthritis Panvax: a technology advancing towards clinical trials in colon cancer Oncomab: developing a suite of antibodies as therapies in key cancer disease areas BioTech Capital took part in a $10 million capital placement for the company with an investment of $924,000, resulting in a shareholding in the company of approximately 4.9%. BioTech Capital and other investors in the placement received a free option issued on a 1:3 basis. The funds will be used to progress the company's portfolio of projects, including completion of a Phase II clinical trial for CancerVac and submission of an application for a Phase I trial of the DCtag technology in colon cancer.

Since BioTech Capital invested in Prima Biomed, the company has signed a second partnership deal with ZymoGenetics for the Arthron subsidiary for an option to evaluate an anti-inflammatory biological inhibitor of the Fc receptor for up to two years with a series of milestone payments. The deal meshes with Prima's business strategy of partnering with global biopharmaceutical companies and follows Prima's research agreement with AstraZeneca earlier in the year.

Prima broadened its asset base by acquiring an exclusive worldwide royalty-free licence to three new patent applications from the ARI. The inventions described by the patent applications complement the suite of patents already held by Arthron and will place Prima in a stronger position when negotiating development and licensing deals with partners in the future.

Business	**Cancer drug discovery**
Location	**Melbourne, Australia**
Date of first investment	**December 2004**
Board seat	**No**
Funds invested	**A$924,000**
Equity ownership	**4.4%**

PRIMABioMed LIMITED

Investment highlights
Technology platform to develop improved and cheaper drugs; collaboration with eminent research institutes Telethon Institute for Child Health and fox Chase Cancer Center.

The most recent investment of the fund has been in Phylogica (ASX:PYC), a new generation drug discovery company developing novel therapies for a range of diseases. The company has already identified lead compounds to target asthma, inflammation, cancer and stroke.

The company's unique 'Phylomer' technology arose from collaborative research between the Telethon Institute for Child Health Research in Western Australia and the Fox Chase Cancer Center in Philadelphia, USA. Phylogica is the first company to be spun out from the Telethon Institute, which is headed by Professor Fiona Stanley, named Australian of the Year in 2003 for her commitment to research into child health.

Phylogica's proprietary technologies are directed toward the development of cost-effective therapies for disease that exhibit fewer side effects than existing treatments. Phylomers are small pieces of proteins ('peptides'), each with a different shape and structure, with the potential to interact specifically with disease-causing proteins. Phylogica has a unique ability to build complex libraries of phylomers for screening as drug candidates and select the most suitable phylomer from early stage candidates in the drug discovery process.

These phylomers have several competitive advantages as drug candidates over alternative therapeutics, particularly antibody-based therapies, due largely to their relatively small size. These include greater drug specificity and reduced side effects, lower cost production and reduced probability of unwanted immune responses.

BioTech Capital invested $2 million in Phylogica as a private equity investment in early 2005 and a further $500,000 when Phylogica raised $5 million via a listing on the Australian Stock Exchange on 30 March 2005. With a shareholding of 27.04%, BioTech Capital is the largest shareholder in Phylogica and has representation on the Board.

Business	**Protein Therapeutics**
Location	**Perth, Australia**
Date of first investment	**January 2005**
Board seat	**Yes**
Funds invested	**A$2,500,000**
Equity ownership	**27.1%**

PHYLOGICA
LIMITED

StarPharma (ASX:SPL) made significant progress in the development of its lead clinical product during the year and signed several new corporate deals.

StarPharma announced the success of its Phase I clinical trial results showing that VivaGel™ was safe for use in humans. VivaGel™ is a topical microbicide with the potential to prevent the transmission of HIV and other STDs when used by women prior to sexual intercourse. It is the first drug product in the world based on synthetic nanoscale molecules called dendrimers to enter human trials under US FDA regulations.

Investment highlights
Very large potential market opportunity, powerful enabling technology, valuable intellectual property, and excellent science.

StarPharma signed a major three-way deal with Dow Chemical (NYSE:DOW) and Dendritic NanoTechnologies Inc (DNT) to provide StarPharma and DNT with ownership or access to the world's broadest patent portfolio in the field of dendrimers. This move has positioned both companies as leading providers of a nanotechnology platform with near-term, tangible commercial applications such as drug delivery and diagnostic solutions. With a holding of 33%, StarPharma is the largest shareholder in DNT.

StarPharma also signed a deal with Industrial Research Ltd of New Zealand to form a joint venture to accelerate the development of a class of dendrimers (carbohydrate-containing glycodendrimers) that may form a new category of pharmaceutical drug candidates. The formation of the joint venture was supported by a grant of NZ$945,000 from the Australia New Zealand Biotechnology Partnership Fund. StarPharma and Industrial Research have been working on the development of glycodendrimers since June 2003 after receipt of a grant of NZ$5.9 million from New Zealand's Foundation for Research Science and Technology.

In March 2005, StarPharma announced the establishment of a start-up development company in which it is a foundation shareholder. The company – Dimerix Bioscience Pty Ltd (Dimerix) – was formed to commercialise unique technology developed at the Western Australian Institute for Medical Research in the relatively new field of receptor coupling, which is one of the basic signalling mechanisms of biological systems.

Business	**Drug discovery**
Location	**Melbourne, Australia**
Date of first investment	**March 2004**
Board seat	**No**
Funds invested	**A$2,520,000**
Equity ownership	**2.7%**

starpharma

Investment highlights
Collaborative R&D programs with world-leading consortium of stem cell researchers, novel technology, strong intellectual property portfolio, and commercial validation through big pharma partnerships.

Stem Cell Sciences (AIM:STEM) is a company principally focused on growing its core expertise in stem cell culture, differentiation and selection of purified cell types for drug discovery and optimisation services to the pharmaceutical sector. SCS is also building a catalogue of unique growth factors and cell culture media for sale to users providing the basis for generation of a growing source of cash flow in the short term. SCS' longer-term plans will apply these same core technologies to the delivery of cell-based regenerative therapies for diseases such as Parkinson's and diabetes.

SCS' technologies have already been licensed to world leading pharmaceutical companies such as Aventis and GlaxoSmithKline and other biopharmaceutical companies.

In July 2005 SCS successfully completed an IPO to list on the London Stock Exchange AIM market. SCS raised £6 million on a pre money valuation of £15 million. Funds were raised from leading UK institutional investors at 97p per share, which compares favourably with BTC's entry price of 50p per share. SCS has maintained leading UK investment bank Collins Stewart as both nominated adviser (NOMAD) and Broker to the company.

The company recently announced that it had secured the commercialisation rights to an important breakthrough neural stem cell technology. This technology allows for the differentiation and growth of highly stable and pure neuronal cell lines. These key attributes are highly attractive to the pharmaceutical and biotechnology industry with immediate applications in cell-based drug screening.

Business	**Stem cells, regenerative medicine**
Location	**Melbourne, Australia; Edinburgh, UK; Kobe, Japan**
Date of first investment	**August 2003**
Board seat	**Yes**
Funds invested	**A$3,000,000**
Equity ownership	**11.2%**

Stem Cell Sciences

XRT was formed as a spinout company from the leading Australian research organisation, CSIRO. XRT is a global pioneer in ultra-high resolution imaging based on its patented phase contrast imaging techniques. The technology allows for imaging of unparalleled quality in a range of medical and industrial applications.

Investment highlights
Strong intellectual property position, large markets, low technical risk, restructure of the business toward IP licensing model has significantly reduced cash burn.

XRT has achieved several milestones this year. Firstly XRT entered into a significant commercial partnership with a global leader in inspection and analysis tools for the use of XRT's patented phase contrast imaging capabilities to co-develop a product which is expected to offer significant advancements over all other products available in the field globally. For confidentiality reasons we are unable to disclose specifics of the application, however, the licensing agreement granted by XRT has potential to provide very lucrative royalties for the company upon commercialisation of the application being developed.

XRT also signed a commercial partnership with USA based Gatan Inc., the world's leading manufacturer of instrumentation and software used to enhance and extend the performance of electron microscopes. Under the agreement, Gatan will use XRT's technologies to develop and distribute an x-ray microscope product, and XRT will receive up front payments as well as royalties in exchange for the licensing agreement.

The company recently announced it had secured new funding from a syndicate of UK investors at a valuation significantly above the cost price in BioTech Capital's accounts. In line with the company's conservative valuation policy for its unlisted portfolio companies, the carrying value of the investment in XRT will not be revalued and will be maintained at cost.

XRT is now well placed to execute its previously announced intention of re-locating key activities to the United Kingdom and ultimately seeking a listing on the UK stock markets.

Business	**Imaging technology**
Location	**Melbourne, London, UK**
Date of first investment	**March 2001**
Board seat	**Yes**
Funds invested	**A$5,625,000**
Equity ownership	**47.9%**

XRT
The Sharper Edge In Imaging

Valuation

The valuation policy we implement is the industry-standard Australian Venture Capital Association (AVCAL) guidelines. For the valuation of our holdings in listed companies the policy is to apply a discount to the market price dependent upon the size of our holding and level of influence in the company. For those investments where we hold a significant percentage stake or a Board seat we apply a greater discount. The Board of BioTech Capital has adopted a conservative stance with regard to the valuation of unlisted investments and chosen to maintain the valuations at cost in the absence of a material adverse event.

Conclusion and Outlook

We remain optimistic about the outlook for the biotechnology sector due to improving fundamentals and more specifically the maturing BioTech Capital portfolio. However, we encourage investors to adopt a long term investment view due to the volatility of the sector and also the time required for companies in this sector to commercialise technology and bring products to market.

Fundamentally, the biotechnology sector is relatively well financed and has more promising drug candidates in development than ever before. Large pharmaceutical companies starved for products to distribute through their strong marketing channels are entering into an increasing number of partnership deals and in many instances acquiring firms at substantial premiums. Additionally, the recent gains in key biotech indices in the US indicate that investors are again returning to the listed sector.

More specifically, the BioTech Capital portfolio is well positioned going into 2006. Companies are making good overall progress and a greater percentage of the fund is listed on the public markets than ever before which is likely to benefit share price performance when the Australian sector rises.

This change in composition of the portfolio has been a result of the evolution of our investee companies into more mature businesses that have been able to raise capital from the public markets. Private equity investment, particularly in the biotechnology industry, is a long term proposition and the BioTech Capital fund has spent the early years building up its portfolio and actively assisting portfolio companies.

We believe that shareholders will soon begin to benefit from our investment strategy. The objectives for the management team over the next financial year are to crystallise some of these gains for shareholders and seek out attractive new investment opportunities.

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
Level 40, The Chifley Tower
2 Chifley Square
SYDNEY NSW 2000

A description of the nature of the entity's operations and its principal activities is included in the directors' report on pages 34 to 41.

Financial Report
30 June 2005

34 Directors' Report
42 Auditors' Independence Declaration
43 Corporate Governance
49 Statement of Financial Performance
50 Statement of Financial Position
51 Statement of Cash Flows
52 Notes to the Financial Statements
70 Directors' Declaration
71 Independent Audit Report to the Members
73 Shareholder Information

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 2005.

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:

William Edward Baker Ireland (Chairman)
Harry Karelis
Antony Basten
Alastair John Davidson
Lisa Margaret McIntyre (commenced 1 July 2004)

Principal Activities

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

Significant Changes in the State of Affairs

The following activities occurred during the year:

In September 2004 an additional $125,000 was invested in XRT via converting preference shares, to provide additional working capital for the company to progress its re-location to the United Kingdom. These funds were invested alongside additional capital provided by selected UK investors.

In October 2004 Proteome Systems commenced trading as a public company on the Australian Stock Exchange.

In November 2004 the entire stake in Xenome Ltd was disposed of following significant, intractable differences over the future direction of the company. This was despite extensive and ultimately unsuccessful attempts to resolve these differences.

Total proceeds of approximately $3.9 million were generated compared to our cost of $3.5 million. The $388,889 realised gain is reflected in this year's operating results. A further $123,267 was invested in Pacific Knowledge Systems via ordinary shares, to provide additional working capital for the company, which is experiencing continued growth in its underlying business.

In December 2004 a total of $924,000 was invested in Prima Biomed Ltd, as part of the company's $10 million capital raising.

In December 2004/January 2005 announcement and approval for investment of $2 million in Phylogica Ltd, which was then planning an IPO and Australian Stock Exchange listing and has since listed successfully.

In March 2005 investment of a further $500,000 in Phylogica at the IPO price of $0.20 per share.

In March and April 2005 the investment in Proteome Systems Limited was sold for $451,505. A total loss of $4,923,495 was thus realised. The Directors had written down the value of this investment by $3,399,000 in last year's accounts and accordingly this year's operating results reflect a loss of $1,524,495 on the disposal.

During the financial year, the company also invested additional amounts totalling $322,850 in Biocomm Services Pty Ltd. BTC has now outlaid a total of $ 422,850 of its commitment to invest up to $3 million in Biocomm Services.

Biocomm Services represents a Victorian Government initiative to improve the effectiveness with which academic research in medical biotechnology is commercialised. It currently has 27 active licensing and business development contracts with academic and commercial clients in Australia, UK, USA and Japan, and its investments include Cryptopharma Pty Ltd, Hatchtech Pty Ltd and CNS Bio.

Review of Operations and Results

Revenue from ordinary activities for the year was down 15.2% to $811,322 on the same period last year (2004: $957,028). Operating loss after income tax for the same period decreased 70.9% to a loss of $1,161,227 (2003: $3,990,515 loss). The results reflect an expense of $1.524 million (2004: $3.4 million) covering the balance of a loss realised on disposal of the investment in Proteome Systems Ltd, and a gain of $0.389 million (2004: $Nil) realised on disposal of the investment in Xenome Ltd. The net tangible asset backing per share as at 30 June 2005 equated to 47.3 cents (2004: 52.4 cents).

Dividends

No dividends were paid or declared during the year (2004: Nil)

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 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.

Information on Directors

Director	Experience
W E B Ireland	Expertise gained in stock and option trading, project development and financing and marketing new business ventures. Managing Director and substantial shareholder of Mariner Financial Ltd (since 2003). Directorships also held in Mariner Retirement Solutions Limited (since 2003), Mariner Wealth Management Limited (since 1999). Mr Ireland was formerly Managing Director of Challenger Financial Services Group Limited (1987 to 2003). Appointed 2000. Age 55
A J Davidson	B.Ec(Hons) ACA. Has held executive positions in banking and financial services for almost 21 years in the UK, USA and Australia. Managing Director, Aurora Funds Management. Appointed 2000. Age 47.
H Karelis	B.Sc(Hons), MBA, ASIA, FAICD, CFA. Has a background in financial analysis and funds management both in Australia and overseas. Directorship also held in Phylogica Limited (since 2005). Appointed 2000. Age 35.
A Basten	Professor, AO, Fellowship of Australian Academies of Science and Technological Sciences and Engineering. Is a highly distinguished clinician scientist. Currently Executive Director of the Centenary Institute of Cancer Medicine & Cell Biology, Professor of Immunology at the University of Sydney, Directorships also held in CenTec Ltd and Apollo Life Sciences pursuant to his Centenary Institute executive director role. Appointed 2002. Age 66.
L M McIntyre	Dr Lisa McIntyre has over 12 years consulting experience for the life sciences and biopharmaceutical industries, and has advised many of the world's leading biotech companies. As a director of L.E.K. Consulting, she leads the Asia Pacific Life Sciences practice and is an advisor to groups including the New Zealand Government, CSIRO, Mayne Pharmaceuticals and many local biotech companies, on strategic and commercial issues. Dr McIntyre is a director of the Garvan Institute of Medical Research and a regular presenter at AusBiotech Conferences. She is also a director of Atcor Medical Pty Ltd (2005). Appointed 1 July 2004. Age 39.

	Particulars of Directors' Interest	
Special Responsibilities	Ordinary Shares	Options
Non Executive Director and Chairman.	50,000	25,000
Non Executive Director	120,000	50,000
Executive Director	800,000	400,000
Non Executive Director	10,000	5,000
Non Executive Director	13,000	6,500

Company Secretary
Mr Robert Thomas was appointed as Company Secretary on 4 October 2000 and has held the role continuously since that date.

Mr Thomas has over 35 years administration and financial management experience within stockbroking, investment banking and commerce. His qualifications and memberships include being a Certified Practising Accountant, Fellow of the Chartered Institute of Secretaries, and Master of Business Administration.

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

Remuneration Policy
The performance of the company depends upon the quality of its directors and executives.
To prosper, the company must attract, motivate and retain highly skilled directors and executives.

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

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

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

Remuneration of Directors:

2005	Salary & Fees	Super-annuation	Retirement Benefits	Equity Options	Other Benefits	Total $'000
W.E.B.Ireland Chairman (non-executive)	20	-	-	-	-	20
A.Basten (non-executive)	18	2	-	-	-	20
A.J.Davidson (non-executive)	20	-	-	-	-	20
H.Karelis Managing Director (see note below)	-	-	-	-	-	-
L.McIntyre (non-executive)	20	-	-	-	-	20
Total Remuneration	**78**	**2**	**-**	**-**	**-**	**80**

2004	Salary & Fees	Super-annuation	Retirement Benefits	Equity Options	Other Benefits	Total $'000
W.E.B.Ireland Chairman (non-executive)	20	-	-	-	-	20
A.Basten (non-executive)	18	2	-	-	-	20
A.J.Davidson (non-executive)	18	2	-	-	-	20
H.Karelis Managing Director (see note below)	-	-	-	-	-	-
I.Y.L.Lee	18	2	-	-	-	20
Total Remuneration	**74**	**6**	**-**	**-**	**-**	**80**

Remuneration Options

No director of the Company has received any options (listed or unlisted) as part of their remuneration during this financial year (2004: Nil).

Directors Meetings

The number of meetings of the company's board of directors held for the year ended 30 June 2005, and the number of meetings attended by each director were:

	Number of Meetings whilst person a Director	Number of meetings Attended
W E B Ireland	10	7
A J Davidson	10	10
H Karelis	10	10
A Basten	10	8
L McIntyre	10	9

Auditor Independence Declaration to the Directors

The directors have received the auditors' independence declaration which is included on page 42 of this report.

Insurance of Officers

During the financial year, the company paid a premium of $54,054 to insure the directors and secretaries 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.

Significant Events After the Balance Date

In July 2005 investee, Stem Cells Sciences plc ('SCS') raised GBP6 million (approx. A$14 million) as part of an IPO and moves to list on the Alternative Investment Market (AIM) – part of the London Stock Exchange. The IPO share price of GBP0.97 valued BTC's investment at approximately A$5.6 million compared with a cost of A$3 million. However, the Directors were of the opinion that the SCS investment should not be revalued in BTC's accounts. Investee, Continence Control Systems International, commenced recruitment for the first human implants testing of its revolutionary treatment for severe urinary incontinence.

In August 2005 investee, Stem Cell Sciences plc, announced it had been awarded an exclusive licence to commercialise novel techniques for growing brain cells from neural stem cells. The underlying technology has been licensed from the University of Edinburgh.

Investee, XRT Ltd, secured new investment funds of approximately GBP1,615,000 from a syndicate of UK investors. The price of this share issue placed a pre-money valuation of some GBP7,100,000 on XRT.

This placed a value of approximately A$10 million on BTC's investment in XRT (compared with a cost of A$5,625,000), if its holdings of XRT convertible securities were converted to ordinary shares. However, the Directors were of the opinion that the XRT investment should not be revalued in BTC's accounts.

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.

Shares Under Option
At the date of this report, Biotech Capital Limited had 44,677,419 unissued ordinary shares under option, all of which options are listed. The options expire on 10 October 2006 and have an exercise price of $0.55. The options may be exercised at any month end up to 30 September 2006 and then on their expiry date, unless otherwise determined by the Board in its absolute discretion.

Auditor & Non-Audit Services
PricewaterhouseCoopers resigned as the company's auditor, with effect from the Annual General Meeting on 19 November 2004. With the approval of shareholders on 19 November 2004, PKF were appointed as the new auditor. In addition to audit fees, PKF were paid a net fee of $1,960 (excluding GST) for the provision of taxation advice. Considering the nature of this professional advice and that the company had sought the advice, the Directors do not consider provision of this non-audit services advice impaired the independence of either firm as the company's auditor.

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

A J Davidson
Director

Sydney
September 2005

A Member Firm of PKF International

PKF

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& Business Advisers

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Auditor's Independence Declaration to the Directors of Biotech Capital Limited

As lead engagement partner for the audit of BioTech Capital Limited for the year ended 30 June 2005,
I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF
Chartered Accountants

NEIL G SMITH
Partner

Dated 30th day of September 2005

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 best practice standards and recognise the 'ten core principles' and recommendations 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.

Structuring of the Board to Add Value:
The Board is structured to provide:

- an adequate number (currently 5) 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 80%);
- that the Chairperson must be an 'independent' director;
- that the roles of Chairman and Chief Executive Officer shall not be performed by the same person.

The current Board consists of 4 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:

W.E.B. Ireland; appointed 18 May, 2000.

A. Basten; appointed 27 June, 2002.

A.J. Davidson; appointed 14 March, 2000.

H. Karelis; appointed 18 May, 2000.

L.M. McIntyre; appointed 1 July, 2004.

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.

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.

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. This also takes into consideration the fact that the Company's accounts are prepared by an independent Chartered Accountant.

The members of the Audit Committee at the date of this report are Non-Executive Director, Alastair Davidson, and Company Secretary, Robert Thomas. 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
Robert Thomas	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 external auditor is invited to attend all general meetings and to:

- express any matter which is of concern to the auditor or raise any matter considered as being in the interests of the Company to discuss; and
- 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 Stock Exchange.

The Company also has a policy of ensuring that all media comment is provided by the Chairman or the Managing Director only.

Respecting the Rights of Shareholders:
The Company informs its shareholders through formal means, eg 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 for risk 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 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.

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, eg due to excessive marketing difficulties or delays, product failure, serious management or funding problems, etc.

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

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

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

- requiring all investments to be made in full compliance with the Pooled Development Funds Act 1992 and the general rationale of the PDF Program;
- unless otherwise authorised by the Directors in writing, requiring all investments to be made in accordance with the Company's stated investment policy;
- ensuring proper evaluation of new investment opportunities by means of a thorough due diligence assessment;
- placing a limit on the maximum amount which can be invested in a single investee;
- ensuring investees have taken proper steps to secure their intellectual property rights;
- ensuring each investee has a proper business plan, financial budgets and has established clear, achievable, commercial goals;
- diversifying investment over a number of different companies, each aiming at a different potential market area or niche;
- appointing a director to the board of an investee company when possible, to assist with its governance and development.

Encouraging Enhanced Performance:
With the approval of shareholders given on 8 April 2004, the Company appointed Titan Bioventures Management Pty Ltd ('Titan') to manage the Company's investments. The Company's Managing Director, Harry Karelis, is a director of and holds a financial interest in Titan.

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

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

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

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

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

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

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

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

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

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

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

Statement of Financial Performance

For the year ended 30 June 2005

	Notes	2005 $'000	2004 $'000
Revenue from ordinary activities	2	**811**	957
Management fees	16(c)	**(884)**	(949)
Other expenses from ordinary activities		**(491)**	(655)
Repurchase of management rights		–	(607)
Realised loss on non-current investment		**(1,009)**	–
Unrealised loss on non-current investment		–	(3,399)
		(2,384)	(5,610)
Loss from ordinary activities before related income tax benefit		**(1,573)**	(4,653)
Income tax benefit relating to ordinary activities	3	**411**	662
Loss from ordinary activities after related income tax benefit		**(1,161)**	(3,991)
Net loss attributable to members of BioTech Capital Limited		**(1,161)**	(3,991)
Net increase (decrease) in asset revaluation reserve	10	**(3,390)**	7,368
Total revenues, expenses and valuation adjustments attributable to members of BioTech Capital Limited recognised directly in equity		**(3,392)**	7,368
Total changes in equity attributable to members of BioTech Capital Limited other than those resulting from transactions with owners as owners		**(4,55)**	3,377
Basic earnings/(loss) per share		**(1.30) cents**	(4.37) cents

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

Statement of Financial Position

As at 30 June 2005

	Notes	2005 $'000	2004 $'000
Current Assets			
Cash assets	4	**12,920**	12,839
Receivables	5	**2**	217
Deferred tax assets		**2**	691
Total Current Assets		**12,924**	13,747
Non-Current Assets			
Other financial assets	6	**29,513**	34,556
Total Non-Current Assets		**29,513**	34,556
Total Assets		**42,437**	48,303
Current Liabilities			
Payables	7	**192**	172
Current tax liabilities	3	**–**	–
Total Current Liabilities		**192**	172
Non-Current Liabilities			
Deferred tax liabilities		**1**	1,334
Total Non-Current Liabilities		**1**	1,334
Total Liabilities		**193**	1,506
Net Assets		**42,244**	46,797
Equity			
Contributed equity	8	**43,332**	43,332
Accumulated losses	9	**(5,064)**	(3,903)
Reserves	10	**3,978**	7,368
Total Equity	11	**42,244**	46,797

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

Statement of Cash Flows

For the year ended 30 June 2005

	Notes	2005 $'000	2004 $'000
Cash Flows from Operating Activities			
Interest received		**730**	963
Other income received		**80**	2
Managers fees paid		**(884)**	(1,144)
Payments to suppliers		**(317)**	(571)
Income taxes paid		–	(158)
Repurchase of management rights		–	(607)
Net cash (outflow) from operating activities	12	**(391)**	(1,515)
Cash Flows from Investing Activities			
Payments for investments		**(3,995)**	(11,114)
Proceeds from sale of investments		**4,467**	–
Net cash inflow (outflow) from investing activities		**472**	(11,114)
Cash Flows from Financing Activities			
Proceeds from Issue of Shares		–	7,531
Share Buy-Back payment		–	(3,189)
Net cash inflow from financing activities		–	4,342
Net increase (decrease) in Cash Held		**81**	(8,287)
Cash at the beginning of the financial year		**12,839**	21,126
Cash at the End of the Financial Year	4	**12,920**	12,839

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

Notes to the Financial Statements

30 June 2005

53 Note 1 Summary of Significant Accounting Policies
57 Note 2 Revenues from Ordinary Activities
57 Note 3 Income Tax
57 Note 4 Cash Assets
57 Note 5 Receivables
58 Note 6 Other Financial Assets
59 Note 7 Payables
59 Note 8 Contributed Equity and Share Options
61 Note 9 Retained Profits/(Accumulated Losses)
61 Note 10 Reserves
61 Note 11 Total Equity
62 Note 12 Reconciliation of Operating Profit after Income Tax to the Net Cash Flow from Operating Activities
62 Note 13 Events Occurring After Balance Date
63 Note 14 Remuneration of Directors
65 Note 15 Remuneration of Auditors
66 Note 16 Related Party Disclosures
67 Note 17 Segment Information
67 Note 18 Financial Instruments
69 Note 19 Earnings/(Loss) per Share
69 Note 20 Contingent Liability

Note 1 Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies are consistent with those of the previous year.

(a) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Being a Pooled Development Fund, the company is taxed at 15% on its regulated investment activities and 25% on other income.

(b) Acquisitions of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(c) Revenue Recognition

Interest is brought to account on an accruals basis.

Dividend income is recognised in the statement of financial performance when receivable.

(d) Investments

The Portfolio of investments in unlisted securities forms one class of asset which is classified as non-current, reflecting the expected holding period. The investments are initially recorded at cost and the portfolio is carried at the lower of cost and recoverable amount.

The Portfolio of investments in listed securities forms another class of assets. These investments are also classified as non-current and have been valued on the basis of their three day average quoted mid-market price, or three day volume weighted average price, prior to the end of the reporting period. A discount of between 5% to 25% is then applied to reflect such issues as size of holding and liquidity. Any upward revision in carrying value is also adjusted to reflect a provision for taxation, calculated at the rate of 15% due to the company's Pooled Development Fund status.

(e) Cash

For purposes of the statement of cash flows, cash includes deposits at call and bank bills which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

Bank bills have been purchased in the market at a discount to face value. The bills are carried at an amount representing cost and a portion of the discount recognised as income on an effective yield basis. The discount brought to account each period is accounted for as interest received.

(f) Trade and Other Creditors

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

(g) Earnings per Share

(i) Basic earnings 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 per share

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

(h) Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

(i) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

BioTech Capital Limited ("BioTech") will be required to adopt Australian Accounting Standards Board ("AASB") equivalents to International Financial Reporting Standards ("AIFRSs") for its financial reporting at the half year ended 31 December 2005 and the full year ending 30 June 2006.

At these dates a first-time adopter of AIFRS will be required to restate its comparative financial statements using all AIFRS's, except for:

- AASB 132 Financial Instruments: Disclosure and Presentation;
- AASB 139 Financial Instruments: Recognition and Measurement;
- AASB 4 Insurance Contracts; and
- AASB 6 Exploration for Evaluation of Mineral Resources.

For BioTech this means the preparation of an opening balance sheet in accordance with AIFRSs as at 1 July 2004, with the majority of restatement adjustments being made retrospectively against opening retained earnings.

During the year ended 30 June 2005, BioTech established a project team to manage the transition to AIFRSs who have been working on the project together with independent experts. As a result of these procedures, BioTech has graded impact areas as either high, medium, or low and has established dedicated project teams to address each of the areas in order of priority as represented by the grading.

An AIFRS steering committee has been established to oversee the progress of each of the project teams and make necessary decisions. Regular updates were provided to the audit committee. As BioTech has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AIFRSs as at 1 July 2004. Set out below are the key areas where accounting policies have changed and may have an impact on the financial report.

The amounts disclosed below are a best estimate as at the date of preparing the financial statements and may change due to:

- Further work being performed by the AIFRS project team; and
- Potential amendments to the AIFRS and interpretations thereof being issued by the standard-setters and the International Financial Reporting Interpretations Committee ("IFRIC").

Financial instruments

The directors have elected to apply the first-time adoption exemption available to BioTech to defer the date of transition of AASB 132 Financial Instruments: Disclosure and Presentation, and AASB 139 Financial Instruments: Recognition and Measurement to 1 July 2005.

Accordingly, no impacts have been quantified in the 30 June 2005 financial statements. Under AASB 139, financial instruments will be required to be classified into five categories which will in turn determine the accounting treatment of the item. The classifications are:

- loans and receivables – measured at amortised cost;
- financial assets held to maturity – measured at amortised cost;
- financial assets held for trading – measured at fair value with fair value changes charged to profit and loss;
- financial assets available for sale – measured at fair value with fair value changes taken to equity; and
- non-trading liabilities – measured at amortised cost.

Note 1 Summary of Significant Accounting Policies continued

This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on the balance sheet.

The investments held by BioTech will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity, except for impairment losses, until the underlying asset is derecognised. This treatment is the current approach adopted under AGAAP. Therefore the impact on the transition to AIFRS and as at 30 June 2005 will be nil.

Impairment of Assets

Under AASB 139 Financial Instruments: Recognition and Measurement, a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of applying undiscounted cash flows. Under the new policy, the recoverability of an asset will be determined based on discounted cash flows, as well as other valuation techniques such as option pricing models. It is likely the impairment of assets will be recognised sooner and that the amount of any write-downs may be greater. In accordance with AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards, the carrying amount of financial assets at transition date has been tested for impairment and no initial impairment losses are to be recognised on transition to AIFRS.

Income Taxes

Under AASB 112 Income Taxes, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the statement of financial position or a tax-based balance sheet. The impact on the company's opening balance sheet as at 1 July 2004 will be the recognition of a current tax asset of $5,157 and the recognition of a deferred tax liability of $1,300,263.

The impact on the company's closing balance sheet as at 30 June 2005 will be the recognition of a deferred tax liability of $765,981 and a deferred tax asset of $1,164 for the parent entity.

Retained Earnings and Reserves – Transitional Adjustments

With limited exceptions, adjustments required on first-time adoption of AIFRS are recognised directly in retained earnings or, if appropriate, another category of equity, at the date of transition to AIFRS. The cumulative effect of these adjustments for the company will be a decrease in retained earnings of $5,157.

Adjustments required on first-time adoption of AIFRS recognised directly to reserves at the date of transition to AIFRS. The cumulative effect of these adjustments for the company will be a decrease in reserves of $1,300,263.

	30 June 2005 $'000	30 June 2004 $'000
Note 2 Revenues from Ordinary Activities		
Interest	**731**	955
Other	**80**	2
	811	957

Note 3 Income Tax

The income tax benefit for the financial period differs from the amount calculated on the loss at a 25% rate. The differences are reconciled as follows:

Loss from ordinary activities before income tax benefit	**(1,573)**	(4,653)
Income tax benefit calculated at 25% rate (see note 1(a))	**393**	1,163
Non-deductible costs relating to contract termination	**–**	(161)
Effect of lower tax on Investment Income	**18**	(340)
Aggregate income tax benefit	**411**	662
Aggregate income tax benefit comprises:		
Current tax provision	**–**	–
Provision for deferred income tax	**–**	(26)
Future income tax benefit	**411**	688
	411	662

Note 4 Cash Assets		
Cash at bank and on hand	**638**	479
Bank bills	**12,282**	12,360
	12,920	12,839
Note 5 Receivables		
Interest receivable	**2**	1
GST recoverable	**–**	154
Income tax recoverable	**–**	62
	2	217

	30 June 2005 $'000	30 June 2004 $'000
Note 6 Other Financial Assets		
Other Financial Assets – Non-Current		
Investment in listed companies – at market value		
Alchemia Limited	**1,599**	1,880
Clinical Cell Culture Limited	**8,529**	12,371
Starpharma Holdings Limited	**1,312**	2,031
Prima Biomed Limited	**790**	–
Phylogica Limited	**3,914**	–
	16,144	16,282
Investment in unlisted Companies – at cost		
Proteome Systems Ltd	–	1,976
Pacific Knowledge Systems Pty Ltd	**2,198**	2,075
XRT Ltd	**4,125**	4,000
Xenome Ltd	–	3,500
Stem Cell Sciences Ltd	**3,000**	3,000
Continence Control Systems	**2,000**	2,000
Biocomm Services Pty Limited (see note below)	**423**	100
	11,746	16,651
Investments in Convertible Notes		
Pacific Knowledge Systems Pty Ltd	**123**	123
XRT Ltd	**1,500**	1,500
	1,623	1,623
Total Non-Current Other Financial Assets	**29,513**	34,556
Summary of changes in non-current investments		
Opening	**34,556**	18,173
Acquisitions	**3,995**	11,114
Disposals	**(5,477)**	–
Revaluations	**(3,561)**	5,269
Closing	**29,513**	34,556

	30 June 2005 $'000	30 June 2004 $'000
Note 7 Payables		
Managers fees payable – director-related entity	**77**	24
Director fees payable	**73**	68
Trade creditors	**17**	58
Audit fees payable	**6**	22
GST payable	**19**	–
	192	172

Note 8 Contributed Equity and Share Options

	2005 Shares	2005 $'000	2004 Shares	2004 $'000
(a) Share Capital				
Fully paid ordinary shares	**89,354,905**	**43,332**	89,354,905	43,332

(b) Movements in ordinary share capital:

Date	Details	2005 No. of Shares	2005 Issue Price	2005 $'000	2004 No. of Shares	2004 Price Issue	2004 $'000
30/06/2004	Opening Equity	**89,354,905**		**43,332**	80,030,100		38,990
	Shares issued during the year:						
30/09/2003	Exercise of options	–		–	15,269,805	0.50	7,635
30/09/2003	Transaction costs relating to share issues	–		–	–		(104)
		–		–	15,269,805		7,531
	Shares bought back during the year (see note below):						
08/04/2004	Share Buy-Back/ Cancellation	–		–	(5,945,000)		(3,189)
					(5,945,000)		(3,189)
30/06/2005	Closing Equity	**89,354,905**		**43,332**	89,354,905		43,332

Note: The share buy-back/cancellation involved some 6.24% of the then-issued shares and represented shares bought from Challenger Financial Services Group Ltd entities in connection with the investment management rights buy-back/termination.

(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.

	2005 Options	2004 Options
(d) Issued Options		
Options exercisable at $0.55 expiring 10/10/06 ("Oct '06 options")	**44,677,419**	44,677,419

(e) Movements in options:

Date	Details	2005 No. of Options	2005 Exercise Price	2004 No. of Options	2004 Exercise Price
30/06/2004	Opening Issued Options	**44,677,419**	**$0.55**	41,300,000	$0.50
30/09/2003	Exercise of Sept '03 options	–	–	(15,269,805)	$0.50
30/09/2003	Expiry of Sept '03 options	–	–	(26,030,195)	$0.50
	Total Exercised and Expired	–	–	(41,300,000)	$0.50
01/10/2003	Balance of Issued Options	–	–	–	–
10/10/2003	Issue of Oct '06 options	–	–	47,649,919	$0.55
	Total Issued	–	–	47,649,919	$0.55
08/04/2004	Buy-Back/Cancellation of Oct '06 options (see note)	–	–	(2,972,500)	$0.55
	Total Bought/Cancelled	–	–	(2,972,500)	$0.55
30/06/2005	Closing Issued Options	**44,677,419**	**$0.55**	44,677,419	$0.55

Note: The Oct '06 options buy-back/cancellation involved some 6.24% of the then-issued options and represented options bought from Challenger Financial Services Group Ltd entities in connection with the investment management rights buy-back/termination.

(f) Options

The 44,677,419 issued options entitle holders to convert the options into ordinary shares, by completion and lodgement of an Exercise Notice and payment of the exercise price of $0.55 per unit.

Each option is convertible into 1 share which will rank pari passu with all other ordinary shares. The options are exercisable (in parcels of not less than 100 options) at any month end up to 30 September 2006, and then on their final expiry date of 10 October 2006, unless otherwise determined by the Board in its absolute discretion.

Note 9 Retained Profits/(Accumulated Losses)

	30 June 2005 $'000	30 June 2004 $'000
Retained profits/(Accumulated losses) at the beginning of the financial year/period	**(3,903)**	88
Net loss attributable to members of the parent entity	**(1,161)**	(3,991)
Retained profits/(Accumulated losses) at the end of the financial year	**(5,064)**	(3,903)

Note 10 Reserves

Asset Revaluation Reserve	**3,978**	7,368
	3,978	7,368
(i) Asset Revaluation Reserve Movements During the Year		
Opening Balance	**7,368**	–
Revaluation increment (decrement) on listed investments, net of 15% tax	**(3,390)**	7,368
Closing Balance	**3,978**	7,368

This reserve reflects the net gain, less 15% tax, arrived at after offsetting unrealised gains and unrealised losses on the company's regulated investments.

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.

These calculations do not take into account incentive fees which might be payable to the Manager, or other persons, relating to gains realised on disposal of any investments.

The balance of this reserve does not represent funds available for distribution to shareholders in specie, because of the unrealised nature of the net gain involved.

	30 June 2005 $'000	30 June 2004 $'000
Note 11 Total Equity		
Total equity at the beginning of the financial year/period	**46,797**	39,078
Total changes in equity recognised in the statement of financial performance	**(4,552)**	3,377
Total movements in contributed equity	–	4,342
Total equity at the end of the financial year	**42,244**	46,797

Notes to the Financial Statements continued

	30 June 2005 $'000	30 June 2004 $'000
Note 12 Reconciliation of Operating Profit after Income Tax to the Net Cash Flow from Operating Activities		
Operating loss after income tax	**(1,161)**	(3,991)
Non-Cash Investing Activities		
Unrealised Loss on Investment	–	3,399
Realised Loss on Investment	**1,009**	–
Changes in assets and liabilities:		
(Increase)/Decrease in other debtors	–	(119)
(Increase)/Decrease in future income tax benefit	**689**	(687)
(Decrease)/Increase in provision for income tax payable	**60**	(31)
(Decrease)/Increase in deferred tax liabilities	**(1,161)**	25
(Decrease)/Increase in payables	**173**	(111)
Net cash flow from operating activities	**(391)**	(1,515)

Note 13 Events Occurring After Balance Date

In July 2005 Stem Cells Sciences plc ("SCS") raised GBP6 million (approx. A$14 million) as part of an IPO and moves to list on the Alternative Investment Market (AIM) – part of the London Stock Exchange. The IPO share price of GBP0.97 valued the company's investment at approximately A$5.6 million compared with a cost of A$3 million. The Directors are of the opinion that the SCS investment should not be revalued in the company's accounts.

Continence Control Systems International, commenced recruitment for the first human implants testing of its revolutionary treatment for severe urinary incontinence.

In August 2005 SCS announced it had been awarded an exclusive licence to commercialise novel techniques for growing brain cells from neural stem cells. The underlying technology has been licensed from the University of Edinburgh.

XRT Ltd, secured new investment funds of approximately GBP1,615,000 from a syndicate of UK investors. The price of this share issue placed a pre-money valuation of some GBP7,100,000 on XRT.

This placed a value of approximately A$10 million on the company's investment in XRT (compared with a cost of A$5,625,000) if its holdings of XRT convertible securities were converted to ordinary shares. The Directors are of the opinion that the XRT investment should not be revalued in the company's accounts.

Note 14 Remuneration of Directors

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

W.E.B. Ireland – Chairman (non-executive)
A. Basten – non-executive
A.J. Davidson – non-executive
H. Karelis – Managing Director
L. McIntyre – non-executive (appointed 1 July 2004)

(b) Remuneration of each Director during the year (see also notes below)

2005	Salary and Fees	Super-annuation	Retirement Benefits	Equity Options	Other Benefits	Total $'000
W.E.B. Ireland Chairman (non-executive)	**20**	–	–	–	–	**20**
A. Basten (non-executive)	**18**	**2**	–	–	–	**20**
A.J. Davidson (non-executive)	**20**	–	–	–	–	**20**
H. Karelis Managing Director (see note below)	–	–	–	–	–	–
L. McIntyre (non-executive)	**20**	–	–	–	–	**20**
Total Remuneration	**78**	**2**	–	–	–	**80**

2004	Salary and Fees	Super-annuation	Retirement Benefits	Equity Options	Other Benefits	Total $'000
W.E.B. Ireland Chairman (non-executive)	20	–	–	–	–	20
A. Basten (non-executive)	18	2	–	–	–	20
A.J. Davidson (non-executive)	18	2	–	–	–	20
H. Karelis Managing Director (see note below)	–	–	–	–	–	–
I.Y.L. Lee	18	2	–	–	–	20
Total Remuneration	74	6	–	–	–	80

(c) Remuneration Options

No Director of the company has received any options (listed or unlisted) as part of their remuneration during this financial year (2004: Nil).

Note 14 Remuneration of Directors continued

(d) Remuneration Practices

With the exception of the Managing Director, Mr Karelis, 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. Ms McIntyre is an executive of L.E.K Consulting Pty Ltd, which invoices for her services on a quarterly basis.

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

(e) Equity instrument disclosures relating to Directors

Option holdings

The numbers of options over ordinary 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.

Name of Director	Balance at the Start of the Year	Granted during the Year as Remuneration	Exercised during the Year	Other Net Changes during the Year	Balance at the End of the Year	Vested and Exercisable at the End of the Year
W.E.B. Ireland	25,000	–	–	–	25,000	25,000
A. Basten	5,000	–	–	–	5,000	5,000
A.J. Davidson	50,000	–	–	–	50,000	50,000
H. Karelis	400,000	–	–	–	400,000	400,000
L.M. McIntyre	6,500	–	–	–	6,500	6,500

No options are vested and unexercisable at the end of the year.

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.

Name of Director	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				
W.E.B. Ireland	50,000	–	–	50,000
A. Basten	10,000	–	–	10,000
A.J. Davidson	100,000	–	20,000	120,000
H. Karelis	800,000	–	–	800,000
L.M. McIntyre	13,000	–	–	13,000

Note 15 Remuneration of Auditors

	30 June 2005 $	30 June 2004 $
PKF (2004 PwC – Australian Firm)		
Remuneration for audit or review of the financial statements	**15,137**	31,350
Remuneration for taxation services	**1,000**	–

Note 16 Related Party Disclosures

(a) Remuneration benefits

Information on remuneration benefits of Directors is disclosed in note 14.

(b) Transactions of Directors and director-related entities concerning shares or share options

Aggregate number of shares and share options of Biotech Capital Limited acquired or disposed of by Directors of the company or their director-related entities.

	2005 Number	2004 Number
Ordinary shares acquired/(disposed of)	**20,000**	730,000
Options over ordinary shares acquired/(disposed of)	–	(296,000)

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

(c) Transactions with specified Directors and director-related entities:

There were no director appointments or resignations during the financial year.

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

Titan Bioventures Management Pty Ltd ("Titan"), a company in which Harry Karelis is a director and holds a financial interest, is the Manager of Biotech Capital Limited and commenced this role on 9 April 2004. Mr Karelis was also an executive of the previous Manager, Challenger Biotech Management Limited ("CBML").

Further details of the basis upon which the company terminated the management agreement with CBML and entered into a new management agreement with Titan, are shown below and in note 8.

The Manager is entitled to be paid an annual management fee equal to 2.0% of the net value of the assets calculated on a quarterly basis. During the period to 30 June 2005 the management fees payable were $883,837 (2004: $948,799). These fees were payable as follows:

	30 June 2005	30 June 2004
Challenger Biotech Management Limited	–	**$702,984**
Titan Bioventures Management Pty Ltd	**$883,837**	**$245,815**

Payments made or payable to Mariner Financial Limited of which W.E.B. Ireland is a director were $25,150 by way of a company secretarial fee.

Performance Fee:

The Manager is also entitled to receive a performance fee of 10% of the difference between the realised value of an investment and the cost of the investment. This performance fee is to be reduced by any unrealised losses that may exist in the balance of the investment portfolio, and the company is also entitled to a rebate of 30% on any performance fee payable. No performance fee was payable during the period. The balance date contingent liability relating to the performance fee is shown in note 20.

Note 17 Segment Information

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

The company operates in one geographical segment, being Australia.

Note 18 Financial Instruments

Net fair value of financial assets and liabilities

(i) On balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the company approximates their carrying amounts shown below.

The company's policy relating to the valuation of investments traded on organised markets, and unlisted investments has been described in note 1(d).

Note 18 Financial Instruments continued

(ii) *At year end the balances of and effective interest rates earned on financial assets were as follows:*

30 June 2005

Financial Assets	Balance $'000	Weighted Average Interest Rate	Effective Interest Rate
Cash	**638**	**Floating**	**4.25%**
Bank bills	**12,282**	**Floating**	**5.63%**
Receivables	**2**	**N/A**	–
Other financial assets:		**N/A**	–
Listed investments	**16,144**		
Unlisted investments	**13,369**		
Total financial assets	**42,435**		
Total financial liabilities:			
Payables	**192**	**N/A**	–
Provisions	–	**N/A**	–
Net financial assets	**42,243**		

30 June 2004

Financial Assets	Balance $'000	Weighted Average Interest Rate	Effective Interest Rate
Cash	479	Floating	5.41%
Bank bills	12,360	Floating	5.42%
Receivables	217	N/A	–
Other financial assets		N/A	–
Listed investments	16,282		
Unlisted investments	18,274		
Total financial assets	47,612		
Total financial liabilities:			
Payables	172	N/A	–
Provisions	–	N/A	–
Net financial assets	47,440		

The company has no unrecognised financial instruments at balance date.

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.

Note 19 Earnings/(Loss) per Share

	30 June 2005	30 June 2004
Basic earnings/(loss) per share, based on the after tax benefit loss of $1,161,227	**(1.30) cents per share**	(4.37) cents per share
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**89,354,905 shares**	91,268,688 shares

For the purposes of Diluted EPS there have been no diluting potential ordinary shares outstanding during the year.

Note 20 Contingent Liability

Performance Fee

It has been assessed that if all investments were realised at their balance date book values, and after taking into account the company's rebate entitlement, the performance fee payable to the Manager would be approximately $287,000.

The basis of the performance fee calculation has been described in note 16.

Directors' Declaration

The Directors of the company declare that:

1. the financial statements and notes as set out on pages 49 to 69, are in accordance with *Corporations Act 2001*;

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the company's financial position as at 30 June 2005 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 Chief Executive Officer and Chief Financial Officer have declared that:

    (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    (c) the financial statements and notes for the financial year give a true and fair view.

3. 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 Directors.

A.J. Davidson
Director

Sydney
September 2005

Chartered Accountants
& Business Advisers

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Independent Audit Report to the Members

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for BioTech Capital Limited, for the year ended 30 June 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards and International Standards on Auditing, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

Independent Audit Report to the Members continued

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of BioTech Capital Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

PKF

PKF

Chartered Accountants

NEIL G SMITH

Partner

Dated at Perth this 30th day of September 2005

Shareholder Information

A. Spread of equity security holdings (as at 26 September 2005)

	Ordinary shares	
	Shares	Options
1 - 1,000	57	307
1,001 - 5,000	1,835	3,508
5,001 - 10,000	1,666	810
10,001 - 100,000	1,327	577
100,001 and over	52	39
	4,937	5,241

B. Substantial holders

Notices 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
Dominic Paul McCormick	17,108,220	19.15%
Select Asset Management Limited	16,889,220	18.9%

Mr McCormick has declared that he is a director of Select Asset Management Limited and therefore has a relevant interest in the shares held by that company.

C. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities at 26 September 2005 are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
Cogent Nominees Pty Limited	13,546,926	15.16
UBS Nominees Pty Ltd	3,954,119	4.43
Tom Hadley Enterprises Pty Ltd	1,500,000	1.68
J P Morgan Nominees Australia Limited	1,500,000	1.68
National Nominees Limited	1,400,000	1.57
Mr Harry Karelis	800,000	0.90
Alimoc Pty Ltd	765,000	0.86
BMG Finance Pty Ltd	711,193	0.80
Mrs Thelma Joan Martin-Weber	600,000	0.67
Webfire Pty Ltd	599,659	0.67
Dr Lester Craig Cowell	504,000	0.56
Colvic Pty Limited	460,000	0.51
Avanteous Investments Limited	442,000	0.49
Mr Michael Alexander Baldry	386,000	0.43
Australian Executor Trustees Limited	345,000	0.39
Tonita Pty Limited	300,000	0.34
Redbell Nominees Pty Limited	300,000	0.34
ANZ Nominees Limited	298,666	0.33
Mrs Maria Grazia Biondini	263,700	0.30
Riverside Metals Pty Ltd	250,000	0.28
	28,926,263	**32.37%**

D. Voting rights

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

a) 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.

b) Options
   No voting rights.

Corporate Directory

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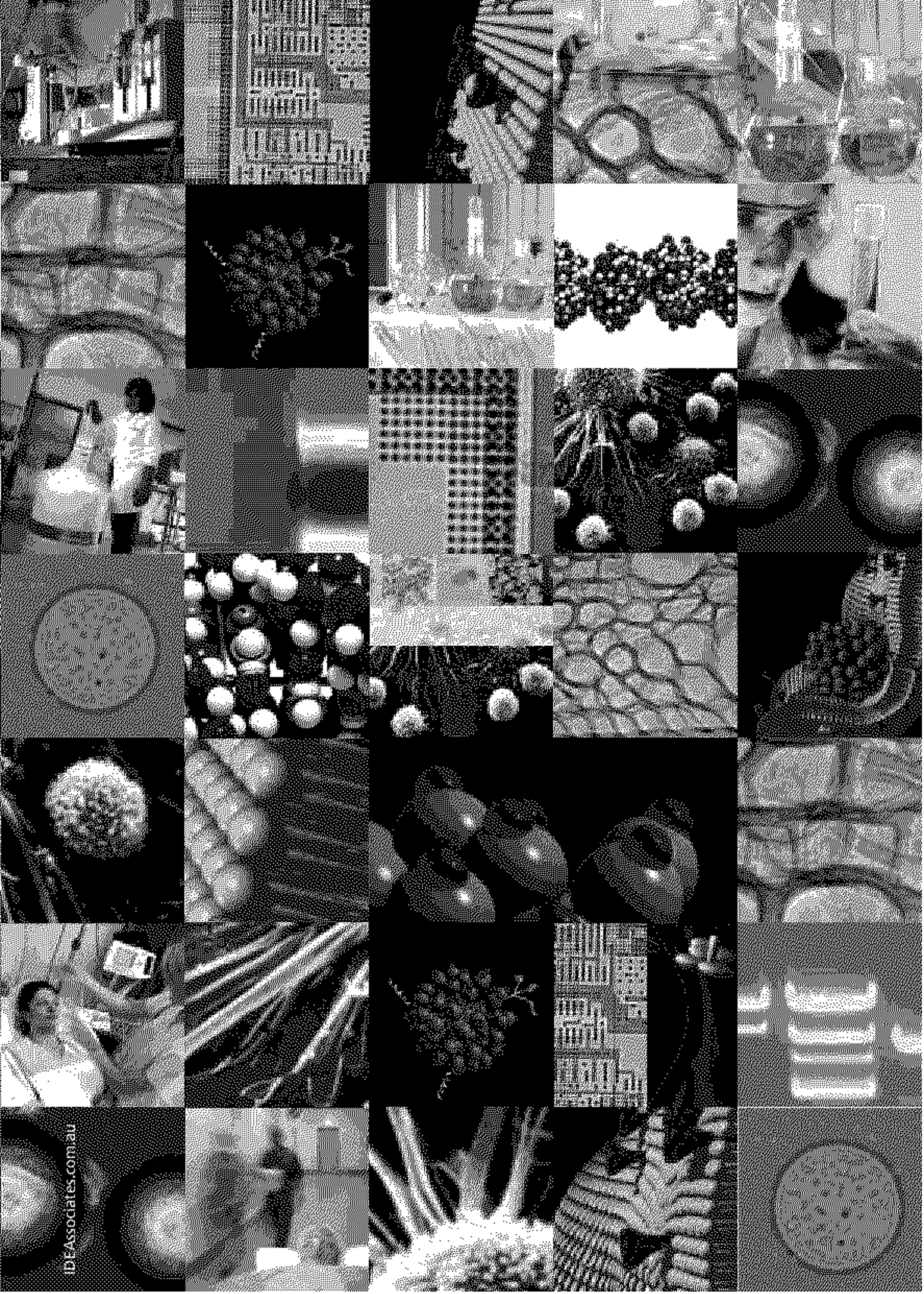
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www.biotechcapital.com.au
www.titanbioventures.com