

Appendix 4E**Preliminary Final Report
Year ending 30 June 2008****Name of Entity: Biosignal Limited****ABN: 45 071 781 363****Date: 29 August 2008****Results for announcement to the market**

	2008	2007	Change
Revenue from Ordinary Activities	923,511	1,199,272	(275,761)
% Change			(23.0%)
(Loss) from ordinary activities after tax attributable to members	(4,398,934)	(3,464,569)	20,240
% Change			(27.0%)
Net profit (loss) for the year attributable to	(4,398,934)	(3,464,569)	20,240
% Change			(27.0%)

Net tangible assets

Net tangible asset backing per:	2008	2007
Ordinary Share	\$0.008	\$0.030

Audit

This report is based on financial statements which are in the process of being audited.

Results

The net loss after tax for the year ended 30 June 2008 was \$4,398,934 (2007: \$3,464,569) on a consolidated basis. The results reported in these accounts have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, and Interpretations of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

Amortisation of Patents purchased as part of the acquisition of Biosignal Australia Pty Limited in 2004 led to a total charge in the consolidated accounts for the year ended 30 June 2008 of \$263,394 (2007 - \$297,958). A charge of \$954,605 was also brought to account in 2008 for impairment of the book value of patents. This was in respect of certain patents which were no longer considered core to the company's development focus. No decision has been made to allow the two patents to lapse at this stage. The remaining loss relates to the net operating costs of the Company.

Dividends

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the financial year (2007: nil).

Operations

Biosignal recognises that industrial applications are the company's best opportunities for early market entries. Accordingly our focus is to progress industrial product applications especially treatments to prevent corrosion of oil and gas pipelines.

Biosignal recently announced a collaboration with ConocoPhillips, one of the world's leading oil and gas producers. ConocoPhillips has already started testing to evaluate our technology for application against microbial corrosion in oil and gas hardware.

Testing at Commercial Microbiology Laboratories (CML) in Scotland also continues with one more trial anticipated to optimise the synergistic effects of the company's compounds with glutaraldehyde and to minimise the cost of the combined treatment.

Testing of the compounds also continues with an international chemical company (not disclosed) and in field trials in Australia. Steps are also being taken to push Indonesia as a market priority given the projected shorter time for registering the compounds in that country.

Water cooling tower and urinal treatment products in Japan are now the subject of an option agreement with SARAYA Co. Ltd. As in Indonesia, the shortened registration time in Japan for the technology should facilitate a quicker entry to market. Biosignal has also initiated discussions with an overseas multinational on the use of the technology in domestic point-of-use water treatment.

Biosignal announced the end of the relationship with Ciba Specialty Chemicals. Ciba had processing issues with furanones in PVC plastic, one of Ciba's key target uses. We do not view this result as affecting the use of the technology as a corrosion inhibitor in the oil and gas industry nor in water treatment applications, in which the compounds are added directly into solutions.

Biosignal's novel biomimetic technology continues to excite potential partners across a range of applications, and the Board is pursuing development in selected fields. In these fields Biosignal allows its partner companies to test and develop the technology using their resources. Biosignal provides compounds and expert advice but conserves its resources.

Consistent with this model Biosignal recently signed collaboration deals with two leading global agri-businesses, one evaluating our compounds in animal health applications and one in crop protection. Results from both programs will be available by early next calendar year.

Applications of the technology in consumer products are also being evaluated by a leading multinational (identity not disclosed). In the field of human health, discussions are ongoing with dental material and equipment companies in the US to use Biosignal's compounds in restorative dental materials.

Finally, limited internal work continues on respiratory infections with recent in vitro biofilm results showing excellent efficacy against clinical strains of *Pseudomonas* isolated from cystic fibrosis patients. The Board continues to take the view that therapeutic applications, particularly as replacements for or in combination with traditional antibiotics, remain a potential future blockbuster for the company despite the lengthy path for development of new drugs.

Investment markets over the past 6 months have been unkind to Australian biotech companies with large average drops in market capitalisation. Biosignal's own news has not been universally up-beat with some disappointments, including deals in industrial and wound care applications with US entrepreneur Paul Hawken not progressing. The company has significantly reduced its cash burn rate to conserve resources during this difficult period.

However, we have robust ongoing collaborations where partners are assessing and developing the technology. The main goals for the next 12 months are to:

- 1) Progress industrial applications as rapidly as possible; and
- 2) Progress the current relationships with external partners to more substantial commercial licensing arrangements as the results of evaluation programs come to hand.

In industrial applications entry to the markets in Japan or Indonesia in late 2009 remains the goal. Critical to achieving this goal will be to scale-up compound manufacture and to progress registration in these countries. Generating the funds necessary for scale-up and registration are key purposes of a planned share purchase plan (SPP) to be offered to all shareholders.

A recent review of our patent family conducted with our patent attorneys did not identify any specific patents which had no relevance to development of the company's technology. Certain patents were identified whose role was specifically associated with development programmes which are not presently being pursued by the company. After conducting an impairment review, the board has decided to write off the book value of two of these patents resulting in an expense of \$954,605 for the year.

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INCOME STATEMENTS

For the year ended 30 June 2008

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
CONTINUING OPERATIONS				
Revenue				
Collaborative research income	250,911	98,030	250,911	98,030
Grant income	6 (a) 524,274	801,644	524,274	801,644
Finance income	148,326	299,597	148,326	299,597
Net gain on foreign exchange	4,569	6,200	4,569	6,200
	<u>928,080</u>	<u>1,205,471</u>	<u>928,080</u>	<u>1,205,471</u>
Expenses				
Net loss on disposal of property plant and equipment	-	(11,350)	-	(11,350)
Amortisation	(267,727)	(302,215)	(4,333)	(4,257)
Accountants and Auditors	(69,990)	(43,031)	(69,990)	(43,031)
Depreciation	(2,940)	(10,696)	(2,940)	(10,696)
Directors fees and expenses	(72,383)	(94,984)	(72,383)	(94,984)
Employment expenses	6 (b) (864,262)	(636,853)	(864,262)	(636,853)
Impairment of intangible assets	(954,605)	(548,858)	-	-
Legal fees	(276,913)	(52,733)	(276,913)	(52,733)
Marketing and business development	(294,891)	(227,978)	(294,891)	(227,978)
Rent	(35,253)	(33,228)	(35,253)	(33,228)
Research expenses	(2,061,614)	(2,238,379)	(2,061,614)	(2,238,379)
Stamp duty & corporate fees	(196,472)	(178,868)	(196,472)	(178,868)
Trademarks	(46,713)	-	(46,713)	-
Travel & accommodation	(66,688)	(80,329)	(66,688)	(80,329)
Other expenses	(116,563)	(210,538)	(116,563)	(210,538)
Loss before income tax	<u>(4,398,934)</u>	<u>(3,464,569)</u>	<u>(3,180,935)</u>	<u>(2,617,753)</u>
Income tax expense	7 -	-	-	-
Loss after income tax	<u>(4,398,934)</u>	<u>(3,464,569)</u>	<u>(3,180,935)</u>	<u>(2,617,753)</u>
Earnings per Share				
Basic loss per share (cents)	8 (4.2)	(3.4)		
Diluted loss per share (cents)	8 (4.2)	(3.4)		
Dividends per share (cents)	-	-		

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

BALANCE SHEETS

As at 30 June 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
ASSETS					
Current Assets					
Cash and cash equivalents	9	1,209,176	3,516,161	1,209,176	3,516,161
Trade and other receivables	10	162,323	162,810	162,323	162,810
Other assets	11	12,767	26,239	12,767	26,239
Total Current Assets		1,384,266	3,705,210	1,384,266	3,705,210
Non-Current Assets					
Investments	12	-	-	-	-
Property, plant and equipment	13	5,747	8,687	5,747	8,687
Intangible assets	14	2,487,570	3,709,902	869	5,202
Total Non-current Assets		2,493,317	3,718,589	6,616	13,890
TOTAL ASSETS		3,877,583	7,423,799	1,390,882	3,719,099
LIABILITIES					
Current Liabilities					
Trade and other payables	15	407,142	382,122	407,142	382,122
Employee entitlements	17	48,181	10,844	48,181	10,844
Other liabilities	16	-	152,456	-	152,456
Total Current Liabilities		455,323	545,422	455,323	545,422
Non-Current Liabilities					
Employee entitlements	17	-	24,306	-	24,306
Total Non-Current Liabilities		-	24,306	-	24,306
TOTAL LIABILITIES		455,323	569,728	455,323	569,728
NET ASSETS		3,422,260	6,854,071	935,559	3,149,371
EQUITY					
Contributed equity	18	17,166,025	16,401,562	17,166,025	16,401,562
Reserves	19	291,163	239,823	291,163	239,823
Accumulated losses	20	(14,034,928)	(9,787,314)	(16,521,629)	(13,492,014)
TOTAL EQUITY		3,422,260	6,854,071	935,559	3,149,371

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
CONTRIBUTED EQUITY				
18				
Opening balance	16,401,562	14,745,905	16,401,562	14,745,905
Issue of share capital	-	-	-	-
Placements	800,000	1,690,349	800,000	1,690,349
Issue costs	(35,537)	(34,692)	(35,537)	(34,692)
Closing balance	17,166,025	16,401,562	17,166,025	16,401,562
OTHER RESERVES				
19				
Opening balance	239,823	1,268,922	239,823	1,268,922
Issue of options	202,660	10,500	202,660	10,500
Lapse of options	(151,320)	(1,039,599)	(151,320)	(1,039,599)
Closing balance	291,163	239,823	291,163	239,823
RETAINED PROFITS				
20				
Opening balance	(9,787,314)	(7,362,344)	(13,492,014)	(11,913,860)
Lapse of options	151,320	1,039,599	151,320	1,039,599
Loss for the year	(4,398,934)	(3,464,569)	(3,180,935)	(2,617,753)
Closing balance	(14,034,928)	(9,787,314)	(16,521,629)	(13,492,014)

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

CASH FLOW STATEMENTS

For the year ended 30 June 2008

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Note				
Cash Flows from Operating Activities				
Receipts from customers and grant providers	673,523	803,996	673,523	803,996
Payment to suppliers and employees	(1,746,365)	(1,825,497)	(1,746,365)	(1,825,497)
Payment for research & development	(2,052,257)	(2,318,257)	(2,052,257)	(2,318,257)
Interest received	203,651	294,265	203,651	294,265
Net Cash Flows Used in Operating Activities	21 (2,921,448)	(3,045,493)	(2,921,448)	(3,045,493)
Cash Flows from Investing Activities				
Purchase of non current assets	-	(29,839)	-	(29,839)
Net Cash Flows Used in Investing Activities	-	(29,839)	-	(29,839)
Cash Flows from Financing Activities				
Proceeds from issue of securities	650,000	1,690,349	650,000	1,690,349
Payment of share issues costs	(35,537)	(34,692)	(35,537)	(34,692)
Net Cash Flows from Financing Activities	614,463	1,655,657	614,463	1,655,657
Net decrease in cash and cash equivalents	(2,306,985)	(1,419,675)	(2,306,985)	(1,419,675)
Add opening cash and cash equivalents	3,516,161	4,935,836	3,516,161	4,935,836
Cash and cash equivalents at end of period	9 1,209,176	3,516,161	1,209,176	3,516,161

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. CORPORATE INFORMATION

The financial report of Biosignal Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 28 August 2008. The company has the power to amend and re-issue the financial report.

Biosignal Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange. Its registered office and principal place of Business is Suite 145, National Innovation Centre, Australian Technology Park, Eveleigh NSW 1430.

This financial report covers both the separate financial statements of Biosignal Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Biosignal Limited and its subsidiaries. The financial report is presented in Australian Dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, and Interpretations of the Australian Accounting Standards Board. The financial report has also been prepared on an historical cost basis.

The financial report is presented in Australian dollars. Amounts shown are in whole dollars unless otherwise stated. Comparative amounts have been reclassified where appropriate to enhance comparability.

(b) Going Concern

The ability of the company to continue as a going concern is dependent on it generating sufficient income and equity funding to cover costs. Current forecasts indicate the company has sufficient cash to operate until about February 2009.

The directors do not believe that the company will receive significant commercial income before this time. Consequently the company's ability to continue as a going concern is dependent on its ability to attract further equity funding. The company will be announcing a Share Purchase Plan (SPP) in early September to raise funds to pursue various collaborative activities. While it is too early to say how much will be raised by the SPP, the board believes that the amount will be sufficient to allow the company to trade until at least June 2009.

The board is confident the company will be able to continue as a going concern until such time as it is able to produce commercial revenue from products released to market. However, should losses continue and/or future capital raisings not be successful, the company may not be able to continue as a going concern. Furthermore, the ability of the company to continue as a going concern is subject to the ability of the company to develop and successfully commercialise the projects being developed.

(c) Statement of compliance

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

(d) Summary of significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

i) Valuation of Intangibles

Intangible assets (Furanone Intellectual Property) were valued as at 1 July 2004 using a discounted cash flow method (DCF). The DCF was calculated for the period 1 July 2004 to 30 June 2013 using an assumed discount rate of 45% for forecast cash receipts and 5% for forecast product development and patent maintenance costs. The final valuation was based on a weighted average of 4 different scenarios and is net of any forecast tax effects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Impairment of Intangibles

At each reporting date the Group determines whether intangibles with indefinite useful lives have been impaired. This requires an estimation of the recoverable amount of the cash generating units to which the intangibles with indefinite useful lives are allocated. The accounting treatment of intangibles is further described in Note 2 (i) and (j).

iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 19.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Binomial methodology, taking into account the terms and conditions upon which the instruments were granted, as discussed in note 19.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Biosignal Limited and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Biosignal Limited has control.

(f) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

Plant and equipment – over 4 years

(g) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(h) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. At acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) **Intangible assets**

Intangible assets acquired separately are capitalised at cost. Those acquired from a business combination are capitalised at fair value as at the date of acquisition.

Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'amortisation' line item.

Significant accounting judgements, estimates, and assumptions pertaining to intangible assets are further explained in Note 2 (d) (i) and (ii).

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

The method for assessing for impairment of intangible assets is described in Note 2 (j). Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and Licences	Development Costs
Useful lives	Finite	Finite
Method used	20 years straight Line	10 years straight line
Internally generated / acquired	Acquired	Internally generated
Impairment test/Recoverable amount testing	Amortisation method reviewed at each financial year end; reviewed annually for indicator of impairment	Amortisation method reviewed at each financial year end; reviewed annually for indicator of impairment
	Software	
Useful lives	Finite	
Method used	2 1/2 years straight Line	
Internally generated / acquired	Acquired	
Impairment test/Recoverable amount testing	Amortisation method reviewed at each financial year end; reviewed annually for indicator of impairment	

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statements when the asset is derecognised.

(j) **Impairment of assets**

Intangible assets are tested for impairment where an indicator of impairment exists and, in the case of indefinite-lived intangibles, annually. This test is done either individually or at the cash generating unit level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell, and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated independent of that of other assets or groups of assets. In this case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, any estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statements, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statements net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(o) Employee benefits

iv) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in accruals in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave in respect of employee service up to the reporting date is recognised in employee entitlements. It is measured at the amount expected to be paid when the liability is settled and is reported inclusive of associated on costs.

i) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised and measured in accordance with (i) above.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in employee entitlements and is measured based on remuneration rates current as at balance date for all employees with five or more years of service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(q) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The group has also acquired services from third parties as a result of share based payment transactions.

The cost of these equity-settled transactions with employees and suppliers is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Biosignal Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions as it is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(r) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statements on a straight-line basis over the lease term.

(s) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales revenue

Revenue includes income from collaborative research partners funding.

This funding is brought to account as and when the funding is expended. Contract funding is accrued at year end where the expenditure has already been incurred but funding has not yet been received. Where funding is received in advance and no services are performed the cash is held on the balance sheet as "Unearned income".

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statements over the expected useful life of the relevant asset by equal annual instalments.

Interest

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

(t) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity.

(u) Tax Consolidation

Biosignal Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation from 1 July 2004.

The head entity, Biosignal Limited, and the controlled entities in the tax consolidated group account for their own current and tax deferred amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right.

In addition to its own current and deferred tax amounts, Biosignal Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) **Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statements on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) **New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The director's assessment is that these new standards and interpretations (to the extent relevant to Biosignal Limited) will have no impact on the financial report of the company except for the following:

Revised AASB 101 Presentation of Financial Statements. AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards Arising from AASB 101

A revised AASB 101 is effective for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income, and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. An income statement will no longer be required. Also, if an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The company intends to apply the revised standards from 1 July 2009, i.e. for 30 June 2010 financial statements.

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group and Parent entity hold the following financial instruments:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,209,176	3,516,161	1,209,176	3,516,161
Trade and other receivables	162,323	162,810	49,404	162,810
	1,371,499	3,678,971	1,258,580	3,678,971
Financial Liabilities				
Trade and other payables	407,142	382,122	407,142	382,122
	407,142	382,122	407,142	382,122

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT)

The Group has policies in place to manage the risk attached to each of these instruments. Risk management is the responsibility of the Chief Financial Officer under guidelines set by the board. Financial counterparties are selected only with approval from the board. The board monitors cash management at each meeting. Financial risk management is reviewed annually as part of the group's broader risk management processes.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is cash flow interest rate risk.

The Group's activities also expose it to a degree of foreign exchange and interest rate risk. Given the limited nature of this exposure, the Group has not engaged in any form of derivative instruments to manage the risk.

(a) Market Risk

The Group's market risk exposure is monitored on an ongoing basis by the Chief Financial Officer in accordance with parameters set by the board. There has been no change in this approach from the previous period.

(i) Foreign Exchange Risk

The company conducts limited transactions in foreign currencies. The Group generally conducts these transactions at the prevailing spot rate. Where an advance commitment is made to a series of payments in a foreign currency over a period of time, the Group will convert some of its cash reserves to that currency to minimise foreign currency variation on that transaction after the commitment has been made.

At year end the Group held a US dollar bank account totalling A\$10,179 (2007 - A\$76,926) in funds. Trade payables held by the Group at year were held in the following currencies (AUD equivalent):

	2008	2007
	\$	\$
Australian Dollars	64,665	156,414
US Dollars	82,647	21,840
Danish Kroner	7,096	-
Japanese Yen	-	20,398
Total trade payables	154,228	198,652

There were no other foreign currency monetary assets or liabilities held by the Group.

Sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's (and Parent's) post-tax profit for the year would have been less than \$10,000 lower / higher (2007 – less than \$10,000 higher / lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. A 10% movement in the Danish Kroner (up or down) would not have a material impact on the Group's post tax profit for the year.

(ii) Price Risk

The Group is not exposed to price risk, including exposure to commodity and equity securities price risk.

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT)

(iii) Cashflow and Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and term deposit holdings. The Group's policy is to manage its interest revenue using a mix of fixed and variable rates. The Group's policy is to keep any cash excess to immediate working capital requirements in term deposits maturing every 30 days. As at reporting date the group and term deposit holdings:

	Fixed / Floating Interest Rate		Weighted Average Effective Interest Rate	
	2008	2007	2008	2007
	\$	\$	%	%
Financial assets				
Cash and cash equivalents	1,209,176	3,516,161	7.65%	6.20%

Sensitivity

During the year ended 30 June 2008, if interest rates had changed by +/- 80 basis points from the prevailing rates, with all other variables held constant, the Group's (and Parent's) post-tax profit for the year would have been \$16,000 lower/higher (2007 – \$31,000 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

Credit risk for the Group is associated with deposits with banks and exposure to retail customers. For banks, only independently rated parties with a minimum rating of 'A' are accepted. For customers sales are generally made on 30 day settlement terms.

The Group policy is to trade only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group assesses their credit quality, taking into account their financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as shown at the start of this note.

The Group invests surplus funds only with banks approved by the board. Currently funds are held with two different banks. Otherwise there are no significant concentrations of credit risk within the Group. Since the Group trades only with recognised third parties, there is no requirement for collateral.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The group has not experienced any default event in respect of its cash or receivables instruments.

There has been no change in this approach from the previous period.

The amount of trade debtors outstanding as at 30 June 2008 was nil (2007 – \$87,066). The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2008	2007
	\$	\$
Cash at Bank and Short Term Deposits		
AA (S&P)	509,176	616,161
A1+ (S&P)	700,000	2,900,000
	1,209,176	3,516,161

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT)

(c) Liquidity Risk

The Group relies on surplus cash holdings to fund its working capital needs. Any surplus cash not required to meet immediate working capital needs is invested in 30, 60 or 90 day bank term deposits as appropriate.

The Group does not carry debt or loan or overdraft facilities. The only financial instrument liabilities are trade and other payables which are typically payable in accordance with normal commercial terms.

The Chief Financial Officer ensures that sufficient funds are on hand to meet short term commitments to pay creditors. The board is apprised regularly of forecast cash demands and the ability of the company to meet those demands from its cash reserves.

There has been no change in this approach from the previous period.

(d) Fair Value estimation

The board believes that the carrying amount of the financial assets and financial liabilities in the balance sheet (summarised at the beginning of this note) is a reasonable approximation of fair value. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

4. DIVIDENDS

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the year (2007 nil). The franking account balance is nil (2007 nil).

5. CHANGE IN COMPOSITION OF ENTITY

There has been no change in the composition of the entity.

6. REVENUE AND EXPENSES

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
(a) Grant Income				
Government grants released	524,274	801,644	524,274	801,644
<p>Various government grants have been received for setting up research activities in an enterprise zone within Australia, to develop antimicrobial compounds. Contingencies attaching to these grants are explained in Note 27.</p>				
(b) Employment Expenses				
Wages and salaries	530,987	532,593	530,987	532,593
Employee allowances	51,157	-	51,157	-
Employee options	194,500	-	194,500	-
Workers' compensation	5,474	4,692	5,474	4,692
Superannuation	47,339	48,293	47,339	48,293
Other	34,805	51,275	34,805	51,275
	864,262	636,853	864,262	636,853

7. INCOME TAX

Reconciliation of Income Tax Expense to Prima Facie Tax Payable:

Loss before income tax	(4,398,934)	(3,464,569)	(3,180,935)	(2,617,753)
Tax (benefit) at the Australian tax rate of 30%	(1,319,680)	(1,039,371)	(954,281)	(785,326)
Add tax effect of:				
Options Issued	60,798	3,150	60,798	-
Other non-allowable items	566	882	566	882
Less tax effect of:				
150% R&D tax concession	(192,582)	(153,784)	(192,582)	(153,784)
Timing Differences not brought to account	292,865	(81,194)	3,525	87,262
	(1,158,033)	(1,270,317)	(1,081,974)	(847,817)
Deferred Tax Asset not brought to account	1,158,033	1,270,317	1,081,974	847,817
	-	-	-	-
Tax Losses				
Unused Tax Losses for which no deferred tax asset has been realised	12,881,350	9,021,240	12,881,350	9,021,240
Potential Tax Benefit at 30%	3,864,405	2,706,372	3,864,405	2,706,372

Income Tax Losses

The Group has tax losses arising in Australia of \$12,881,350 that are available indefinitely for offset against taxable profits of the company in which those losses arose.

Franking Credits

The Company has no franking credits available for distribution as no income tax has been paid to date.

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable preference shares, if any).

	Consolidated	
	2008	2007
	\$	\$
Net loss	(4,398,934)	(3,464,569)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share:	105,347,153	102,288,017
Effect of dilutive securities:	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share:	105,347,153	102,288,017

Share options have been excluded from the calculation of the number of diluted securities as they have an anti dilutive effect on the earnings per share calculation.

9. CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank	509,176	616,161	509,176	616,161
Short-term deposits	700,000	2,900,000	700,000	2,900,000
	<u>1,209,176</u>	<u>3,516,161</u>	<u>1,209,176</u>	<u>3,516,161</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is:	<u>1,209,176</u>	<u>3,516,161</u>	<u>1,209,176</u>	<u>3,516,161</u>
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10. TRADE AND OTHER RECEIVABLES – CURRENT

Trade receivables	-	87,066	-	87,066
Other receivables	162,323	75,744	162,323	75,744
	<u>162,323</u>	<u>162,810</u>	<u>162,323</u>	<u>162,810</u>

11. OTHER ASSETS

Prepayments	<u>12,767</u>	<u>26,239</u>	<u>12,767</u>	<u>26,239</u>
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12. INVESTMENTS

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Controlled entities - unlisted	-	-	-	-
Less: Allowance for write down of Investments	-	-	-	-
Total Investments	-	-	-	-

Interests in Subsidiaries

Biosignal Australia Pty Ltd is the only entity controlled by the Company as at 30 June 2008. This entity has been included in the consolidated accounts of the Group. The financial year-end of the controlled entity is the same as that of the Company.

Biosignal Australia Pty Ltd was acquired in April 2004, with the initial value at cost comprising shares and the costs of acquisition to a total value of \$6,152,200. The underlying assets and business of Biosignal Australia Pty Ltd were subsequently transferred to the parent company. Accordingly the carrying value of this investment in the books of the Company was written down to nil as at 30 June 2004.

13. PROPERTY, PLANT & EQUIPMENT

Office equipment				
At cost	19,964	19,964	19,964	19,964
Accumulated depreciation	(14,217)	(11,277)	(14,217)	(11,277)
Total property, plant & equipment	5,747	8,687	5,747	8,687

Reconciliation

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

Carrying amount at beginning	8,687	10,051	8,687	10,051
Acquisitions	-	3,512	-	3,512
Disposals	-	(650)	-	(650)
Depreciation	(2,940)	(4,226)	(2,940)	(4,226)
Net carrying amount	5,747	8,687	5,747	8,687

14. INTANGIBLE ASSETS

Patents at Cost	5,873,927	5,873,927	-	-
Write down for impairment of Intangibles	(2,145,731)	(1,191,126)	-	-
Accumulated amortisation	(1,241,495)	(978,101)	-	-
Total Patents	2,486,701	3,704,700	-	-
Software at Cost	10,830	10,830	10,830	10,830
Accumulated amortisation	(9,961)	(5,628)	(9,961)	(5,628)
Total Goodwill	869	5,202	869	5,202
Total Intangible Assets	2,487,570	3,709,902	869	5,202

Reconciliation of the carrying amounts of Intangible Assets at the beginning and end of the current financial year:

Carrying amount at beginning	3,709,902	4,560,527	5,202	9,011
Purchase of software	-	448	-	448
Impairment loss on patents	(954,605)	(548,858)	-	-
Amortisation of patents	(263,394)	(297,958)	-	-
Amortisation of software	(4,333)	(4,257)	(4,333)	(4,257)
Net carrying amount	2,487,570	3,709,902	869	5,202

14. INTANGIBLE ASSETS (CONTINUED)

Intangible assets held at 30 June 2008 are in respect of a family of patents held by the company (relating to furanone compounds and various derivatives thereof) and computer software. For accounting purposes they are treated in accordance with the accounting policies set out in note 2 to the accounts. An impairment loss of \$954,605 was recognised during the year. This was in respect of two patents which were considered to have limited relevance to current product development programmes. No decision has been made to allow the two patents to lapse at this stage. An impairment loss of \$548,858 was recognised in the year ended 30 June 2007. This was in respect of three patents which were considered to have no value and were allowed to lapse.

15. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade payables	154,228	198,652	154,228	198,652
Sundry payables	15,732	19,088	15,732	19,088
Accruals	237,182	164,382	237,182	164,382
	407,142	382,122	407,142	382,122

16. OTHER LIABILITIES

Unearned Income	-	152,456	-	152,456
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17. EMPLOYEE ENTITLEMENTS

Current	48,181	10,844	48,181	10,844
Non Current	-	24,306	-	24,306

18. CONTRIBUTED EQUITY

CONTRIBUTED EQUITY				
Ordinary shares	17,166,025	16,401,562	17,166,025	16,401,562

	2008		2007	
	\$	Number	\$	Number
MOVEMENTS IN ISSUED CAPITAL				
Ordinary shares on issue				
Balance at 1st July	16,401,562	103,593,219	14,274,658	84,470,100
Issued during the period:				
Placement - 21 July 06	-	-	1,150,000	7,666,666
Placement - 25 August 06	-	-	390,349	2,602,329
Placement - 26 September 06	-	-	150,000	1,000,000
Conversion of performance shares - 6 July 06	-	-	471,247	7,854,124
Placement - 14 November 07	250,000	1,666,667	-	-
Placement - 7 March 08	150,000	1,093,462	-	-
Placement - 3 June 08	400,000	4,705,883	-	-
Share Issue Costs				
30 September 06	-	-	(34,692)	-
14 November 07	(7,537)	-	-	-
3 June 08	(28,000)	-	-	-
	17,166,025	111,059,231	16,401,562	103,593,219

18. CONTRIBUTED EQUITY (CONTINUED)

Terms and Conditions of Contributed Equity outstanding at year end - Ordinary Shares

The rights and liabilities attaching to Shares can be summarised as follows:

General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act 2001 and the Constitution of the Company.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have only one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (or credited) bears to the total amounts paid and payable (including amounts credited).

Dividend Rights

The Board may from time to time declare a dividend to be paid to shareholders entitled to a dividend. The dividend shall (subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all shares in accordance with the Corporations Act 2001. The Board may from time to time pay to shareholders such interim dividends as they may determine and will be paid according to the proportion that the amount paid (or credited) is of the total amounts paid and payable (including amounts credited) in respect of such shares. No dividends shall be payable except out of profits. A determination by the Board as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities and which are subject to escrow restrictions at the time of the commencement of the winding up shall rank in priority after all other shares.

Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act 2001 or the Listing Rules.

Changes to Capital Structure

The Company may by ordinary resolution and subject to the Corporations Act 2001 and the Listing Rules:

- increase its share capital by the issue of new shares of such amount as is specified in a resolution;
- consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; and
- sub-divide all or any of its shares into shares of smaller amount than is fixed by the Constitution, but so that in the sub-division the proportion between the amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived.

18. CONTRIBUTED EQUITY (CONTINUED)

Variation of Rights

Pursuant to Section 246B of the Corporations Act 2001, the Company may, with the sanction of a special resolution passed at a meeting of shareholders, vary or abrogate the rights attaching to shares.

If at any time share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of the three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

Capital Risk Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

At this stage of the Group's development, the board does not feel that it is appropriate to raise debt, or to pay dividends to shareholders. There is no debt on the Group's balance sheet. Hence the gearing ratio is 0%. In order to satisfy the capital requirements of the business, the Group may issue new equity as considered appropriate.

19. RESERVES

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Share based payments reserve	291,163	239,823	291,163	239,823
Movements:				
Balance at start of the financial year	239,823	1,268,922	239,823	1,268,922
Options issued (expense)	202,660	10,500	202,660	10,500
Options lapsed	(151,320)	(1,039,599)	(151,320)	(1,039,599)
Closing balance	291,163	239,823	291,163	239,823

The share based payments reserve is used to recognise the fair value of options issued but not recognised.

	2008		2007	
	\$	Number	\$	Number
Movements in Shareholder Options				
Expiring 25 November 2007 (ex price \$0.35)				
Balance at the start of the year	57,700	1,000,000	57,700	1,000,000
Issued 25 November 2005	-	-	-	-
Lapsed 25 November 2007	(57,700)	(1,000,000)	-	-
	-	-	57,700	1,000,000
Expiring 6 June 2008 (ex price \$0.185)				
Balance at the start of the year	26,333	369,328	26,333	369,328
Issued 15 July 2005	-	-	-	-
Lapsed 6 June 2008	(26,333)	(369,328)	-	-
	-	-	26,333	369,328

19. RESERVES (CONTINUED)

Expiring 30 June 2007 (ex price \$0.30)

Balance at the start of the year	-	-	49,600	2,000,000
Lapsed 30 June 2007	-	-	(49,600)	(2,000,000)
	-	-	-	-

Total Shareholder Options Balance at the end of the financial year

84,033 1,369,328

Movements in Management and Employee Options

Expiring 1 April 2009 (ex price \$0.20)

Balance at the start of the year	7,023	5,500,000	7,023	5,500,000
Lapsed during the year	-	-	-	-
	7,023	5,500,000	7,023	5,500,000

Expiring 5 October 2009 (ex price \$0.28)

Balance at the start of the year	-	-	4,275	516,668
Lapsed 1 November 2006	-	-	(4,275)	(516,668)
	-	-	-	-

Expiring 26 November 2009 (ex price \$0.30)

Balance at the start of the year	-	-	1,789	206,666
Lapsed 1 November 2006	-	-	(1,789)	(206,666)
	-	-	-	-

Expiring 25 November 2010 (ex price \$0.335)

Balance at the start of the year	91,360	800,000	102,780	900,000
Lapsed 23 February 2007	-	-	(5,710)	(50,000)
Lapsed 26 June 2007	-	-	(5,710)	(50,000)
Lapsed 9 November 2007	(57,100)	(500,000)	-	-
	34,260	300,000	91,360	800,000

Expiring 6 April 2011 (ex price \$0.33)

Balance at the start of the year	24,000	300,000	24,000	300,000
Lapsed during the year	-	-	-	-
	24,000	300,000	24,000	300,000

Expiring 6 April 2011 (ex price \$0.22)

Balance at the start of the year	26,406	267,000	26,406	267,000
Lapsed 29 September 2007	(8,801)	(89,000)	-	-
Lapsed 31 March 2008	(1,385)	(14,000)	-	-
	16,220	164,000	26,406	267,000

Expiring 24 November 2011 (ex price \$0.26)

Balance at the start of the year	7,000	100,000	-	-
Issued 24 November 2006	-	-	10,500	150,000
Lapsed 26 June 2007	-	-	(3,500)	(50,000)
	7,000	100,000	7,000	100,000

Expiring 22 August 2012 (ex price - various)

Balance at the start of the year	-	-	-	-
Issued 22 August 2007	40,000	1,500,000	-	-
	40,000	1,500,000	-	-

Expiring 29 May 2013 (ex price \$0.175)

Balance at the start of the year	-	-	-	-
Issued 29 May 2008	8,160	150,000	-	-
	8,160	150,000	-	-

Expiring 29 May 2013 (ex price - various)

Balance at the start of the year	-	-	-	-
Issued 29 May 2008	154,500	5,000,000	-	-
	154,500	5,000,000	-	-

Total Management Options Balance at the end of the financial year

291,163 13,014,000 155,789 6,967,000

19. RESERVES (CONTINUED)**Key Terms and Conditions of Options Outstanding at Year End****Shareholder Options**

There were no Shareholder Options outstanding at year end.

Management Options with exercise price of \$0.20

- i) Exercise price \$0.20.
- ii) Immediately lapse on the date which is 5 years from the date of grant of the management options – 1 April 2009.
- iii) Not transferable.

Management Options with exercise price of \$0.335

- i) Exercise price \$0.335.
- ii) Immediately lapse on the earlier to occur of:
 - the date which is 5 years from the date of grant of the management options; and
 - unless vested, the date on which the relevant management option holder ceases to be a director, employee or contractor of the Company.If the options are vested, and the relevant management option holder has ceased to be a director, employee or contractor of the Company, the options will lapse 3 months after cessation.
- iii) Not transferable.
- iv) The options vested on 25 November 2007.

Management Options with exercise price of \$0.33

- i) Exercise price for the management options is \$0.33.
- ii) Immediately lapse on the earlier to occur of:
 - the date which is 5 years from the date of grant of the management options; and
 - unless vested, the date on which the relevant management option holder ceases to be a director, employee or contractor of the Company.If the options are vested, and the relevant management option holder has ceased to be a director, employee or contractor of the Company, the options will lapse 3 months after cessation.
- iii) Not transferable.
- iv) The options vested on 30 June 2007.

Management Options with exercise price of \$0.22

- i) Exercise price \$0.22.
- ii) Immediately lapse on the earlier to occur of:
 - the date which is 5 years from the date of grant of the management options; and
 - unless vested, the date on which the relevant management option holder ceases to be a director, employee or contractor of the Company.If the options are vested, and the relevant management option holder has ceased to be a director, employee or contractor of the Company, the options will lapse 3 months after cessation.
- iii) Not transferable.
- iv) The options vested on 29 September 2007.

19. RESERVES (CONTINUED)

Management Options with exercise price of \$0.26

- i) Exercise price \$0.26.
- ii) Immediately lapse on the earlier to occur of:
 - the date which is 5 years from the date of grant of the management options; and
 - unless vested, the date on which the relevant management option holder ceases to be a director, employee or contractor of the Company.

If the options are vested, and the relevant management option holder has ceased to be a director, employee or contractor of the Company, the options will lapse 3 months after cessation.
- iii) Not transferable.
- iv) The options will vest from 24 November 2008.

Management Options Expiring 22 August 2012

- i) Exercise price and vesting dates for the management options are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Vesting Date</u>
500,000	0.25	15 June 2009
500,000	0.50	15 June 2010
500,000	1.00	15 June 2011

- ii) Immediately lapse on the earlier to occur of:
 - the date which is 5 years from the date of grant of the management options; and
 - unless vested, the date on which the relevant management option holder ceases to be a director, employee or contractor of the Company.

If the options are vested, and the relevant management option holder has ceased to be a director, employee or contractor of the Company, the options will lapse 3 months after cessation. These options will lapse on 30 September 2008, being 3 months after the option holder ceased to be an employee of the company.
- iii) Not transferable.

Management Options with exercise price of \$0.175

- i) Exercise price \$0.175.
- ii) Immediately lapse on the earlier to occur of:
 - the date which is 5 years from the date of grant of the management options; and
 - unless vested, the date on which the relevant management option holder ceases to be a director, employee or contractor of the Company.

If the options are vested, and the relevant management option holder has ceased to be a director, employee or contractor of the Company, the options will lapse 3 months after cessation.
- iii) Not transferable.
- iv) The options will vest from 29 May 2010.

19. RESERVES (CONTINUED)

Management Options Expiring 29 May 2013

i) Exercise price and vesting dates for the management options are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Vesting Date</u>
1,000,000	0.25	29 May 2009
2,000,000	0.40	29 May 2010
2,000,000	0.50	29 May 2011

ii) Immediately lapse on the earlier to occur of:

- the date which is 5 years from the date of grant of the management options; and
- unless vested, the date on which the relevant management option holder ceases to be a director, employee or contractor of the Company.

If the options are vested, and the relevant management option holder has ceased to be a director, employee or contractor of the Company, the options will lapse 3 months after cessation.

iii) Not transferable.

20. ACCUMULATED LOSSES

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening balance	(9,787,314)	(7,362,344)	(13,492,014)	(11,913,860)
Lapse of options	151,320	1,039,599	151,320	1,039,599
Loss after income tax	(4,398,934)	(3,464,569)	(3,180,935)	(2,617,753)
Closing balance	(14,034,928)	(9,787,314)	(16,521,629)	(13,492,014)

21. NOTE TO THE CASH FLOW STATEMENTS

i) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the balance sheets as follows:

Cash at bank and in hand and short term				
Deposits (Note 9)	1,209,176	3,516,161	1,209,176	3,516,161

ii) Reconciliation of loss after tax to the net cash from operating activities:

Profit for the year after tax	(4,398,934)	(3,464,569)	(3,180,935)	(2,617,753)
Adjustments for:				
Depreciation	2,940	10,696	2,940	10,696
Impairment of Patents	954,605	548,858	-	-
Amortisation of Patent	263,394	297,958	-	-
Amortisation of other intangibles	4,333	4,257	4,333	4,257
Options expensed	202,660	10,500	202,660	10,500
Consultants fee – non cash	150,000	-	150,000	-
Loss on disposal of property plant and equipment	-	11,350	-	11,350
			-	-
Changes in assets and liabilities			-	-
(Increase)/decrease in trade and other receivables	486	(56,910)	486	(56,910)
(Increase)/decrease in deposit bonds	-	(1,841)	-	(1,841)
(Increase)/decrease in prepayments	13,472	(1,789)	13,472	(1,789)
(Decrease)/increase in trade and other payables	25,021	(395,291)	25,021	(395,291)
(Decrease)/increase in employee entitlements	13,031	(8,711)	13,031	(8,711)
(Decrease)/increase in other liabilities	(152,456)	-	(152,456)	-
Net cash used in operating activities	(2,921,448)	(3,045,493)	(2,921,448)	(3,045,493)

Financing Facilities

At balance date there were no finance facilities arranged with the company.

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

		Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Accrued salaries		1,000	1,000	1,000	1,000
Employee entitlements (current)	17	48,181	10,844	48,181	10,844
Accrued superannuation		3,292	3,944	3,292	3,944
Employee entitlements (non-current)	17	-	24,306	-	24,306
		52,473	40,094	52,473	40,094

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

Management and Employee Options

5,500,000 options over the ordinary shares were issued on purchase of Biosignal Australia Pty Ltd to certain directors and executive staff of the company after shareholder approval. The options were granted in accordance with performance guidelines established by the directors of Biosignal Ltd. The issue was approved by shareholders.

The options were issued for a term of five years expiring on 1 April 2009, and are all vested and exercisable, on account of the proceeds milestone attached to the options being achieved on 6 July 2006. The options cannot be transferred and will not be quoted on the ASX. One director, one executive and one former director are currently eligible for this scheme.

2,170,000 options over the ordinary shares were issued in late 2004. This consisted of 1,550,000 to key scientists on 5 October 2004 and 620,000 to Professor Steinberg on 26 November 2004. The issue was approved by shareholders. The options have all since lapsed.

900,000 options (exercise price \$0.335) were issued to the directors on 25 November 2005 as detailed in note 23. The issue was approved by shareholders. 500,000 lapsed during this period. 100,000 options lapsed during prior periods.

300,000 options (exercise price \$0.33) were issued to management on 6 April 2006. None of the options have lapsed to date.

267,000 options (exercise price \$0.22) were issued to scientists on 6 April 2006. 178,000 of these vested on 29 September 2007 on certain milestones being met. The remaining 89,000 options lapsed. A further 14,000 options lapsed on 31 March 2008.

150,000 options (exercise price \$0.26) were issued to the directors on 24 November 2006 as detailed in note 23. The issue was approved by shareholders. 50,000 options lapsed during prior periods.

1,500,000 options were issued to the Chief Science Officer, Dr Mike Ironside on 15 August 2007 as detailed in note 23. The issue was made in accordance with the company's share option plan. Dr Ironside resigned with effect 30 June 2008. As a consequence his options are due to lapse on 30 September 2008.

5,000,000 options were issued to the Chief Executive Officer, Prof. Peter Steinberg on 29 May 2008 as detailed in note 23. The issue was approved by shareholders.

150,000 options (exercise price \$0.175) were issued to the directors on 29 May 2008 as detailed in note 23. The issue was approved by shareholders.

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS
(CONTINUED)

Options were granted to employees as follows:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the year	6,967,000	0.22	7,690,334	0.20
Granted	6,650,000	0.44	150,000	0.31
Lapsed	(603,000)	0.33	(873,334)	0.29
Exercised	-	-	-	-
Balance at end of year	13,014,000	0.33	6,967,000	0.22
Exercisable at end of year	6,264,000	0.20	5,800,000	0.20

	2008	2007
<i>Employee Options granted during the year:</i>		
Grant date	22 August 2007	24 November 2006
Number	1,500,000	150,000
Vesting date	15 June 2009, 2010, 2011 (3 equal tranches)	25 November 2008
Expiry date	22 August 2012	24 November 2011
Exercise price	\$0.25 / \$0.50 / \$1.00	\$0.26
Grant date	29 May 2008	
Number	150,000	
Vesting date ⁽¹⁾	29 May 2013	
Expiry date ⁽¹⁾	29 May 2013	
Exercise price	\$0.175	
Grant date	29 May 2008	
Number	5,000,000	
Vesting dates	1,000,000 - 29 May 2009 2,000,000 - 29 May 2010 2,000,000 - 29 May 2011	
Expiry date	29 May 2013	
Exercise price	\$0.25 / \$0.40 / \$0.50	

(1) The options will lapse on 30 September 2008 being 3 months after the resignation of the relevant employee.

23. DIRECTOR AND EXECUTIVE DISCLOSURES

Directors and Executives

1) Specified directors

- Dr J S Keniry Chairman (non-executive)
- Mr M S O Oredsson Director and former Chief Executive Officer (resigned 10 August 2007)
- Prof P D Steinberg Director and Chief Executive Officer (executive)
- Prof G A Pauli Director (non executive)
- Mr B E Foy Director (Appointed 7 March 2008) (non executive)

2) Specified executives

- Dr M D Ironside Chief Science Officer (resigned 30 June 2008)
- Mr R J McDougall Chief Operating Officer
- Mr R C Vickery Chief Financial Officer and Company Secretary

23. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

Remuneration of Specified Directors and Specified Executives

Remuneration Policy

Non-Executive Directors

Fees paid to non-executive directors, together with options issued, will generally be around the market average and such fees will be inclusive of statutory superannuation. Directors will not be entitled to a retirement benefit. Directors will only participate in share or option plans with the approval of the shareholders.

Senior Executives

Remuneration packages will generally be set to be competitive to both retain and attract high quality executives to the Company. The Company will assess the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions. Executives are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. The manner of payment chosen should be optimal for the recipient without creating undue cost for the Company.

Short term incentives will comprise a fixed (cash) element and variable incentive components and will be subject to various performance measures linked to the short term objectives of the Company.

Long term incentives will be through participation in an option plan or an issue of options, the exercise of which is contingent on the options vesting at a series of future dates. In certain circumstances vesting of options might be subject to achievement of major performance milestones.

Remuneration of Specified Directors and Specified Executives

	Primary			Post Employment		Share Based Payment	Total
	Salary & Fees	Cash Bonus	Non Monetary benefits	Super-annuation (1)	Retirement benefits	Options	

2008

Specified Directors

J S Keniry	-	-	-	-	-	5,440	5,440
M S O Oredsson	67,223	-	-	5,637	-	-	72,860
B E Foy	6,881	-	-	619	-	2,720	10,220
P D Steinberg (2)	111,157	-	-	4,963	-	154,500	270,620
G A Pauli	-	-	-	-	-	-	-

Specified Executives

M D Ironside	165,377	-	-	10,962	-	40,000	216,339
R J McDougall	144,407	7,563	-	13,677	-	-	165,647
R C Vickery	125,000	-	-	11,250	-	-	136,250
	620,045	7,563	-	47,108	-	202,660	877,376

23. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

	Primary			Post Employment		Share Based Payment	Total
	Salary & Fees	Cash Bonus	Non Monetary benefits	Super-annuation ⁽¹⁾	Retirement benefits	Options	
2007							
Specified Directors							
J S Keniry	-	-	-	-	-	7,000	7,000
M S O Oredsson	267,466	26,125	-	26,423	-	-	320,014
G D M Turner	-	-	-	10,000	-	-	10,000
M R Taverner	-	-	-	18,000	-	3,500	21,500
P D Steinberg (2)	85,264	-	-	-	-	-	85,264
G A Pauli	-	-	-	-	-	-	-
Specified Executives							
R J McDougall	119,900	7,563	-	11,472	-	-	138,935
R C Vickery	110,615	-	-	9,955	-	-	120,570
	583,245	33,688	-	75,850	-	10,500	703,283

1. Superannuation in 2008 was paid to the following funds: Unisuper – P. Steinberg, B Foy ATF Cecilton Super Fund – B. Foy, Colonial First State – M. Ironside, M. Oredsson, R. Vickery, and R McDougall. Superannuation in 2007 was paid to the following funds: The Dragon Super Fund – G. Turner, Taverner Super Fund – M. Taverner, Colonial First State – M. Oredsson, R. Vickery, and R McDougall

2. Additional remuneration arrangements for Prof. Steinberg are included in note 24 to the accounts.

Remuneration Options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits to certain specified directors and specified executives as follows:

	Total Granted Number	Vested Number	Unvested Number	Grant Date	Terms & Conditions for Each Grant			
					Value per Option at Grant Date	Exercise Price per Share	First Exercise Date	Last Exercise Date
					(\$)	(\$)		
2008								
Specified Directors								
J S Keniry	100,000	-	100,000	29 May 08	0.054	0.175	29 May 10	29 May 13
B E Foy	50,000	-	50,000	29 May 08	0.054	0.175	29 May 10	29 May 13
P D Steinberg	1,000,000	-	1,000,000	29 May 08	0.043	0.250	29 May 09	29 May 13
P D Steinberg	2,000,000	-	2,000,000	29 May 08	0.031	0.400	29 May 10	29 May 13
P D Steinberg	2,000,000	-	2,000,000	29 May 08	0.025	0.500	29 May 11	29 May 13
Specified Executives								
M D Ironside	500,000	-	500,000	22 Aug 07	0.046	0.250	15 Jun 09	22 Aug 12
M D Ironside	500,000	-	500,000	22 Aug 07	0.024	0.400	15 Jun 10	22 Aug 12
M D Ironside	500,000	-	500,000	22 Aug 07	0.010	0.500	15 Jun 11	22 Aug 12
2007								
Specified Directors								
J S Keniry	100,000	-	100,000	24 Nov 06	0.07	0.26	25 Nov 08	24 Nov 11
M R Taverner	50,000	-	50,000	24 Nov 06	0.07	0.26	25 Nov 08	24 Nov 11

The issue of 50,000 Options to Prof. Pauli was approved by shareholders on 29 May 2008, however he has elected not to accept these options. The issue of 50,000 Options to Prof. Pauli was also approved by shareholders on 24 November 2006. He elected not to accept these options as well.

23. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

Shares issued on exercise of remuneration options

No remuneration options were exercised during the year.

Option holdings of specified directors and specified executives

	Balance at 1 July	Granted	Options Exercised	Options Lapsed	Balance at 30 June	Vested at 30 June	
						Total	Exercisable
2008	\$	\$	\$	\$	\$	\$	\$
J S Keniry	887,500	100,000	-	-	987,500	787,500	787,500
M S O Oredsson	3,937,500	-	-	(500,000)	3,437,500	3,437,500	3,437,500
B E Foy	-	50,000	-	-	50,000	-	-
P D Steinberg	200,000	5,000,000	-	-	5,200,000	200,000	200,000
G A Pauli	-	-	-	-	-	-	-
Specified Executives							
M D Ironside	-	1,500,000	-	-	1,500,000	-	-
R J McDougall	1,525,000	-	-	-	1,525,000	1,525,000	1,525,000
R C Vickery	-	-	-	-	-	-	-
Total	6,550,000	6,650,000	-	(500,000)	12,700,000	5,950,000	5,950,000
2007	\$	\$	\$	\$	\$	\$	\$
J S Keniry	787,500	100,000	-	-	887,500	687,500	687,500
M S O Oredsson (i)	3,937,500	-	-	-	3,937,500	3,437,500	3,437,500
G D M Turner	50,000	-	-	(50,000)	-	-	-
M R Taverner	50,000	50,000	-	(100,000)	-	-	-
P D Steinberg	911,931	-	-	(711,931)	200,000	-	-
G A Pauli	-	-	-	-	-	-	-
Specified Executives							
R J McDougall	1,525,000	-	-	-	1,525,000	1,525,000	1,525,000
R C Vickery	-	-	-	-	-	-	-
Total	7,261,931	150,000	-	(861,931)	6,550,000	5,650,000	5,650,000

(i) Mr Oredsson resigned as a director of the company on 10 August 2007. Accordingly, 500,000 of his options lapsed on 9 November 2007. His remaining 3,437,500 options, granted in April 2004 are due to lapse in April 2009. This is not contingent on his being an office holder of the company.

23. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

Shareholdings of Specified Directors and Specified Executives

	Balance 1 July		Changes		Balance 30 June	
	Ord	Perf	Ord	Perf	Ord	Perf
2008						
Directors						
J S Keniry	62,143	-	-	-	62,143	-
M S Oredsson	-	-	-	-	-	-
B E Foy	-	-	140,000	-	140,000	-
P D Steinberg	1,725,211	-	-	-	1,725,211	-
G A Pauli	-	-	-	-	-	-
Key Management Personnel						
MD Ironside	-	-	-	-	-	-
R J McDougall	-	-	-	-	-	-
R C Vickery	50,000	-	-	-	50,000	-
Total	1,837,354	-	140,000	-	1,977,354	-
2007						
J S Keniry	62,143	-	-	-	62,143	-
M S Oredsson	-	-	-	-	-	-
G D M Turner	64,826	-	(64,826)	-	-	-
M R Taverner	217,858	-	(217,858)	-	-	-
P D Steinberg (i)	1,304,158	421,053	421,053	(421,053)	1,725,211	-
G A Pauli	-	-	-	-	-	-
Key Management Personnel						
R J McDougall	-	-	-	-	-	-
R C Vickery	-	-	50,000	-	50,000	-
Total	1,648,985	421,053	188,369	(421,053)	1,837,354	-

(i) On 6 July 2006 the proceeds milestone attached to the performance shares was met. As a result the performance shares converted to ordinary shares on a one for one basis.

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Loans to Specified Directors and Specified Executives

No loans to specified directors and specified executives were provided during the reporting period.

Other Transactions and Balances with Specified Directors and Specified Executives

Prof. Pauli has not received any fees or been granted any options by the company. Biosignal Ltd reimburses Prof. Pauli for travel expenses he incurs in conducting the business of the company. This amounted to \$66,405 for the year to 30 June 2008 (2007 - \$52,857). At year end the company did not owe Prof Pauli any of this amount (2007 - \$20,398). No other transactions to specified directors and specified executives were provided during the reporting period.

24. RELATED PARTY TRANSACTIONS

Ultimate Parent

Biosignal Ltd is the ultimate parent company of the Group.

Subsidiaries

Biosignal Australia Pty Ltd (incorporated in Australia) is the only subsidiary of Biosignal Ltd. It is 100% owned by Biosignal Ltd. The carrying value of the investment in the books of Biosignal Ltd is nil (2007 – nil).

Transactions with wholly owned group

Companies within the wholly owned group did not enter into any related party transactions during the year.

Other related party transactions

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Purchases of Services from Shareholders				
University of New South Wales	92,696	1,402,574	92,696	1,402,574
NewSouth Innovations	1,334,750	321	1,334,750	321

Biosignal Ltd and NewSouth Innovations (part of the University of New South Wales and a direct shareholder of Biosignal) entered into a Research Management Agreement for the period 1 July 2007 to 30 June 2010.

The agreement governs research activities conducted by UNSW on behalf of Biosignal Ltd in accordance with an agreed project plan. Included in this amount was \$131,318 (2007 - \$120,595) towards the salary package paid by the University of NSW to Prof. Peter Steinberg. This is in addition to the remuneration shown in note 23 to the accounts.

Prior to July 2007 the Research Management Agreement was direct with the University of NSW. Payments to University of NSW shown here in the year ended 30 June 2008 were in respect of the previous period. Payments to NewSouth Innovations in 2007 were for provision of administration support.

All transactions were made on normal terms and conditions and at market rates.

Superannuation

Superannuation paid to directors and executives of the company is detailed in note 23 to the accounts.

25. AUDITORS REMUNERATION

Amounts charged by HLB Mann Judd the auditors of the Company:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit/Review of Financial Statements	43,640	35,500	43,640	35,500
Other services in relation to the Company:				
Tax compliance	7,350	3,250	7,350	3,250
Grant audits	3,500	1,600	3,500	1,600
Other advisory	1,390	2,515	1,390	2,515
	55,880	42,915	55,880	42,915

26. SEGMENT INFORMATION

The Company and its controlled entities operated in the biotechnology research and development industry in Australia.

27. CONTINGENT ASSETS AND LIABILITIES

The entity has no known contingent assets as at the date of this report.

Biosignal Limited held an R&D Start Program Grant Agreement with the Australian Government for the development of antibacterial contact lenses. The maximum grant to be received under this agreement was \$1,507,619 and was for the period from 10 September 2004 to 30 June 2008.

Biosignal Limited held an Industry Cooperative Innovation Program Grant Agreement with the Australian Government for the development of antimicrobial coatings and materials for bio-medical devices. The maximum grant to be received under the agreement is \$1,497,080 and was for the period from 8 February 2007 to 30 June 2008.

A condition of these agreements was that, for an agreed period, Biosignal Limited must obtain written approval from the Australian Government prior to a change in control of the company or ownership of the intellectual property associated with the development projects. If prior approval is not obtained, the grant funds, or a portion thereof, may be required to be repaid.

The Directors are not aware of any current circumstances requiring such Government approval.

28. EXPENDITURE COMMITMENTS

There were no capital commitments contracted during the year (2007 – nil).

29. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant events occurring subsequent to balance date.