Rule 4.3A

Appendix 4E

Preliminary Final Report
Year ending 30 June 2009

Name of Entity: **Biosignal Limited**

ABN: **45 071 781 363**

Date: **31 August 2009**

Results for announcement to the market

	2009	2008	Change
Revenue from Ordinary Activities	122,493	923,511	(801,018)
% Change			(86.7%)
(Loss) from ordinary activities after tax attributable to members	(3,875,753)	(4,398,934)	523,180
% Change			11.9%
Net profit (loss) for the year attributable to	(3,875,753)	(4,398,934)	523,180
% Change			11.9%

Net tangible assets

Net tangible asset backing per:	2009	2008
Ordinary Share	$0.001	$0.008

Audit

This report is based on financial statements which have not been audited.

Results

The net loss after tax for the year ended 30 June 2009 was $3,875,753 (2008: $4,398,934) 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.

Revenue for the year ended 30 June 2009 was $125,246 (2008: 928,080). This was a result of the completion of research grants and a decline in collaborative research income for the period.

A charge of $2,395,717 (2008: $954,605) was also brought to account in 2008 for impairment of the book value of patents. This was in respect of the patent estate and reflected the board's view in relation to the commerciality of the patent estate. 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 (2008: nil).

Operations

Biosignal during 2009 pursued the development of its intellectual property assets with a focus on industrial applications of the core technology. The focus of the company through 2009 was to progress industrial product applications with a particular focus on treatments to prevent corrosion of oil and gas pipelines. However, this focus at year's end had failed to secure any late stage commercial negotiations. During 2009 ConocoPhillips, one of the world's leading oil and gas producers completed evaluation of the Company's technology for application against microbial corrosion in oil and gas hardware. This did not lead to the development of a commercial agreement with the Company.

While the Board has the view that in relation to industrial applications entry to the markets in Japan or Indonesia in late 2009 remained the goal. This goal was not achieved. Critical to achieving this was the ability of the Company to raise sufficient capital for the scale-up and registration of the technology. The Company issued a planned share purchase plan (SPP) to be offered to all shareholders, however limited take up resulted in a limited increase in equity capital available to the Company. This substantively diminished the near term prospects for the Company's technology.

The global economic crisis also diminished the opportunities for the Company to raise capital from new equity sources and impacted on the investment plans of a number of the commercial partners Biosignal had cultivated over the previous years.

The board undertook to undertake an impairment review of the Intellectual Property assets and decided to write off the book value of the patent estate resulting in an expense of $2,395,717 for the year. This wrote down the intellectual property assets of the company to $0.

Throughout the year ending 30 June 2009 the Board focussed on reducing the operating costs of the Company. The employment expenses of $301,031 (2008: $864,605) were substantially reduced along with the research expenses associated with development of the Company's technology. Concomitant to the reduced focus on the development of the IP assets the Biosignal Board underwent a change of personnel, with the resignation of the previous board and the replacement with a four new Director's. This change reflected a focus on identify alternative directions for the Company. The new board has been actively pursuing a number of strategies in relation to furthering the development of the Biosignal assets, securing capital to support the ongoing operations of the company, and investigating new transaction opportunities for the company.

Subsequent to the year's end the company has entered into a transaction with a NASDAQ listed biotechnology company (Commonwealth Biotechnology Ltd: CBTE) that will provide access to the resources and expertise to continue the development of the assets of Biosignal. The sale of the Biosignal assets to CBTE and the related share swap provide Biosignal shareholders with continued exposure to any value accretion in the IP while providing access to substantial resources for the continued development of the assets. The analytic and synthetic chemistry capability of CBTE through its Chinese partners is unique globally and will provide opportunities for accelerated development of the Biosignal technology.

Further the Company is pursuing a transformational transaction outside of the Biotechnology industry. Biosignal subsequent to years end has entered into initial documents for the merger of Biosignal with a major international media business. This transaction subject to shareholder approval continues to be the focus of management and will provide Biosignal shareholders an opportunity to be exposed to a new industry segment with potential for substantial growth.

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INCOME STATEMENTS

For the year ended 30 June 2009

		Consolidated		Company	
		2009 $	2008 $	2009 $	2008 $
CONTINUING OPERATIONS					
Revenue					
Collaborative research income		15,400	250,911	15,400	250,911
Grant income	6 (a)	71,427	524,274	71,427	524,274
Finance income		35,666	148,326	35,666	148,326
Net gain on foreign exchange		2,753	4,569	2,753	4,569
		125,246	928,080	125,246	928,080
Expenses					
Net loss on disposal of property plant and equipment		(3,174)	-	(3,174)	-
Amortisation		(91,853)	(267,727)	(869)	(4,333)
Accountants and Auditors		(79,960)	(69,990)	(79,960)	(69,990)
Depreciation		(1,655)	(2,940)	(1,655)	(2,940)
Directors fees and expenses		(22,214)	(72,383)	(22,214)	(72,383)
Employment expenses	6 (b)	(301,031)	(864,262)	(301,031)	(864,262)
Impairment of intangible assets		(2,395,717)	(954,605)	-	-
Legal fees		(122,140)	(276,913)	(122,140)	(276,913)
Marketing and business development		(11,645)	(294,891)	(11,645)	(294,891)
Rent		(37,947)	(35,253)	(37,947)	(35,253)
Research expenses		(690,977)	(2,061,614)	(690,977)	(2,061,614)
Stamp duty & corporate fees		(95,841)	(196,472)	(95,841)	(196,472)
Trademarks		(12,177)	(46,713)	(12,177)	(46,713)
Travel & accommodation		(42,161)	(66,688)	(42,161)	(66,688)
Other expenses		(92,508)	(116,563)	(92,508)	(116,563)
Loss before income tax		(3,875,753)	(4,398,934)	(1,389,052)	(3,180,935)
Income tax expense	7	-	-	-	-
Loss after income tax		(3,875,753)	(4,398,934)	(1,389,052)	(3,180,935)
Earnings per Share					
Basic loss per share (cents)	8	(3.3)	(4.2)		
Diluted loss per share (cents)	8	(3.3)	(4.2)		
Dividends per share (cents)		-	-		

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

BALANCE SHEETS

As at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
ASSETS					
Current Assets					
Cash and cash equivalents	9	94,602	1,209,176	94,602	1,209,176
Trade and other receivables	10	28,304	162,323	28,304	162,323
Other assets	11	11,215	12,767	11,215	12,767
Total Current Assets		**134,121**	**1,384,266**	**134,121**	**1,384,266**
Non-Current Assets					
Investments	12	-	-	-	-
Property, plant and equipment	13	-	5,747	-	5,747
Intangible assets	14	-	2,487,570	-	869
Total Non-current Assets		**-**	**2,493,317**	**-**	**6,616**
TOTAL ASSETS		**134,121**	**3,877,583**	**134,121**	**1,390,882**
LIABILITIES					
Current Liabilities					
Trade and other payables	15	238,811	407,142	238,811	407,142
Employee entitlements	16	-	48,181	-	48,181
Total Current Liabilities		**238,811**	**455,323**	**238,811**	**455,323**
Non-Current Liabilities					
Employee entitlements	16	-	-	-	-
Total Non-Current Liabilities		**-**	**-**	**-**	**-**
TOTAL LIABILITIES		**238,811**	**455,323**	**238,811**	**455,323**
NET ASSETS		**(104,690)**	**3,422,260**	**(104,690)**	**935,559**
EQUITY					
Contributed equity	17	17,514,828	17,166,025	17,514,828	17,166,025
Reserves	18	251,163	291,163	251,163	291,163
Accumulated losses	19	(17,870,681)	(14,034,928)	(17,870,681)	(16,521,629)
TOTAL EQUITY		**(104,690)**	**3,422,260**	**(104,690)**	**935,559**

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2009

		Consolidated		Company	
		2009 $	2008 $	2009 $	2008 $
CONTRIBUTED EQUITY	17				
Opening balance		17,166,025	16,401,562	17,166,025	16,401,562
Issue of share capital					
Placements		257,500	800,000	257,500	800,000
Share Placement Plan		120,000	-	120,000	-
Issue costs		(28,697)	(35,537)	(28,697)	(35,537)
Closing balance		17,514,828	17,166,025	17,514,828	17,166,025
OTHER RESERVES	18				
Opening balance		291,163	239,823	291,163	239,823
Issue of options		-	202,660	-	202,660
Lapse of options		(40,000)	(151,320)	(40,000)	(151,320)
Closing balance		251,164	291,163	251,164	291,163
RETAINED PROFITS	19				
Opening balance		(14,034,928)	(9,787,314)	(16,521,629)	(13,492,014)
Lapse of options		40,000	151,320	40,000	151,320
Loss for the year		(3,875,753)	(4,398,934)	(1,389,052)	(3,180,935)
Closing balance		(17,870,681)	(14,034,928)	(17,870,681)	(16,521,629)

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 2009

		Consolidated		Company	
		2009 $	2008 $	2009 $	2008 $
	Note				
Cash Flows from Operating Activities					
Receipts from customers and grant providers		193,120	673,523	193,120	673,523
Payment to suppliers and employees		(835,063)	(1,746,365)	(835,063)	(1,746,365)
Payment for research & development		(858,063)	(2,052,257)	(858,063)	(2,052,257)
Interest received		36,111	203,651	36,111	203,651
Net Cash Flows Used in Operating Activities	20	**(1,463,896)**	**(2,921,448)**	**(1,463,896)**	**(2,921,448)**
Cash Flows from Investing Activities					
Proceeds from sale of non current assets		518	-	518	-
Net Cash Flows Used in Investing Activities		**518**	**-**	**518**	**-**
Cash Flows from Financing Activities					
Proceeds from issue of securities		377,500	650,000	377,500	650,000
Payment of share issues costs		(28,697)	(35,537)	(28,697)	(35,537)
Net Cash Flows from Financing Activities		**348,803**	**614,463**	**348,803**	**614,463**
Net decrease in cash and cash equivalents		(1,114,575)	(2,306,985)	(1,114,575)	(2,306,985)
Add opening cash and cash equivalents		1,209,176	3,516,161	1,209,176	3,516,161
Cash and cash equivalents at end of period	9	**94,601**	**1,209,176**	**94,601**	**1,209,176**

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 2009

1. CORPORATE INFORMATION

The financial report of Biosignal Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 31 August 2009. 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 C/- Middletons Solicitors Level 25, 525 Collins Street, Melbourne VIC 3000.

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 October 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 Board is actively pursuing a number of opportunities to raise equity finance.

The board believes that events subsequent to year end will support the raising of new equity finance. However, should losses continue and/or future capital raisings not be successful, the company may not be able to continue as a going concern.

(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:

<u>Sales revenue</u>

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".

<u>Government grants</u>

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 2009 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	
	2009	2008	2009	2008
	$	$	$	$
Financial Assets				
Cash and cash equivalents	94,602	1,209,176	94,602	1,209,176
Trade and other receivables	28,304	162,323	28,304	49,404
	122,906	**1,371,499**	**122,906**	**1,258,580**
Financial Liabilities				
Trade and other payables	238,811	407,142	238,811	407,142
	238,811	**407,142**	**238,811**	**407,142**

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$21,212 (2008 - A$10,179) in funds. Trade payables held by the Group at year were held in the following currencies (AUD equivalent):

	2009	2008
	$	$
Australian Dollars	132,870	64,665
US Dollars	-	82,647
Danish Kroner	-	7,096
Japanese Yen	-	-
Total trade payables	**132,870**	**154,228**

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

Sensitivity

Based on the financial instruments held at 30 June 2009, 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 (2008 – 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	
	2009	2008	2009	2008
	$	$	%	%
Financial assets				
Cash and cash equivalents	94,602	1,209,176	7.65%	7.65%

Sensitivity

During the year ended 30 June 2009, 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 $4,000 lower/higher (2008 – $16,000 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 2009 was nil (2008 – nil). 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:

	2009	2008
	$	$
Cash at Bank and Short Term Deposits		
AA (S&P)	94,602	509,176
A1+ (S&P)	-	700,000
	94,602	**1,209,176**

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 (2008 nil). The franking account balance is nil (2008 nil).

5. CHANGE IN COMPOSITION OF ENTITY

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

6. REVENUE AND EXPENSES

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(a) Grant Income				
Government grants released	71,427	524,274	71,427	524,274

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.

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(b) Employment Expenses				
Wages and salaries	321,050	530,987	321,050	530,987
Employee allowances	-	51,157	-	51,157
Employee options	-	194,500	-	194,500
Workers' compensation	27	5,474	27	5,474
Superannuation	24,077	47,339	24,077	47,339
Other	(44,123)	34,805	(44,123)	34,805
	301,031	864,262	301,031	864,262

7. INCOME TAX

Reconciliation of Income Tax Expense to Prima Facie Tax Payable:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Loss before income tax	(3,875,753)	(4,398,934)	(1,389,052)	(3,180,935)
Tax (benefit) at the Australian tax rate of 30%	(1,162,726)	(1,319,680)	(416,716)	(954,281)
Add tax effect of:				
Options Issued	-	60,798	-	60,798
Other non-allowable items	374	566	374	566
Less tax effect of:				
150% R&D tax concession	(54,053)	(192,582)	(54,053)	(192,582)
Timing Differences not brought to account	9,667	292,865	17,890	3,525
	(1,206,737)	(1,158,033)	(452,505)	(1,081,974)
Deferred Tax Asset not brought to account	1,206,737	1,158,033	452,505	1,081,974
	-	-	-	-
Tax Losses				
Unused Tax Losses for which no deferred tax asset has been realised	16,903,806	12,881,350	16,903,806	12,881,350
Potential Tax Benefit at 30%	5,071,142	3,864,405	5,071,142	3,864,405

Income Tax Losses

The Group has tax losses arising in Australia of $16,903,806 that are available indefinitely for offset against taxable profits of the company in which those losses arose provided the company continues to meet the requirements of the Income Tax Assessment Act with regard to continuity of business and continuity of ownership.

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	
	2009	**2008**
	$	**$**
Net loss	(3,875,753)	(4,398,934)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share:		105,347,153
Effect of dilutive securities:	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share:		105,347,153

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	
	2009	**2008**	**2009**	**2008**
	$	$	$	$
Cash at bank	94,602	509,176	94,602	509,176
Short-term deposits	-	700,000	-	700,000
	94,602	1,209,176	94,602	1,209,176

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:	94,602	1,209,176	94,602	1,209,176

10. TRADE AND OTHER RECEIVABLES – CURRENT

Trade receivables	-	-	-	-
Other receivables	28,304	162,323	28,304	162,323
	28,304	162,323	28,304	162,323

11. OTHER ASSETS

Prepayments	11,215	12,767	11,215	12,767

12. INVESTMENTS

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
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 2009. 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
Accumulated depreciation	-	(14,217)	-	(14,217)
Total property, plant & equipment	-	5,747	-	5,747
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	5,747	8,687	5,747	8,687
Acquisitions	-	-	-	-
Disposals	(4,092)	-	(4,092)	-
Depreciation	(1,655)	(2,940)	(1,655)	(2,940)
Net carrying amount	-	5,747	-	5,747

14. INTANGIBLE ASSETS

Patents at Cost	5,873,927	5,873,927	-	-
Write down for impairment of Intangibles	(4,541,448)	(2,145,731)	-	-
Accumulated amortisation	(1,332,479)	(1,241,495)	-	-
Total Patents	-	2,486,701	-	-
Software at Cost	-	10,830	-	10,830
Accumulated amortisation	-	(9,961)	-	(9,961)
Total Goodwill	-	869	-	869
Total Intangible Assets	-	2,487,570	-	869
Reconciliation of the carrying amounts of Intangible Assets at the beginning and end of the current financial year:				
Carrying amount at beginning	2,487,570	3,709,902	869	5,202
Purchase of software	-	-	-	-
Impairment loss on patents	(2,395,717)	(954,605)	-	-
Amortisation of patents	(90,984)	(263,394)	-	-
Amortisation of software	(869)	(4,333)	(869)	(4,333)
Net carrying amount	-	2,487,570	-	869

14. INTANGIBLE ASSETS (CONTINUED)

Intangible assets held at 30 June 2009 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. At 31 December 2008 the carrying value of intangible assets in the accounts was written down to nil. This was due to their being sufficient uncertainty about the ability of the company to generate

An impairment loss of $954,605 was recognised during the previous year. This was in respect of two patents which were considered to have limited relevance to product development programmes. The two patents have not been allowed to lapse at this stage.

15. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Trade payables	132,870	154,228	132,870	154,228
Sundry payables	3,042	15,732	3,042	15,732
Accruals	102,900	237,182	102,900	237,182
	238,811	407,142	238,811	407,142

16. EMPLOYEE ENTITLEMENTS

Current	-	48,181	-	48,181

17. CONTRIBUTED EQUITY

CONTRIBUTED EQUITY				
Ordinary shares	17,514,828	17,166,025	17,514,828	17,166,025

	2009		2008	
	$	Number	$	Number
MOVEMENTS IN ISSUED CAPITAL				
Ordinary shares on issue				
Balance at 1st July	17,166,025	111,059,231	16,401,562	103,593,219
Issued during the period:				
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 Placement Plan – September 08	257,500	7,357,122	-	-
Placement – 28 April 2009	120,000	12,000,000	-	-
Share Issue Costs				
14 November 07	-	-	(7,537)	-
3 June 08	-	-	(28,000)	-
September 08	(23,897)	-	-	-
April 09	(4,800)	-	-	-
	17,514,828	130,416,353	17,166,025	111,059,231

17. 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.

17. 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.

18. RESERVES

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Share based payments reserve		291,163		291,163
Movements:				
Balance at start of the financial year	291,163	239,823	291,163	239,823
Options issued (expense)	-	202,660	-	202,660
Options lapsed	(58,331)	(151,320)	(58,331)	(151,320)
Closing balance	232,832	291,163	232,832	291,163

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

	2009		2008	
	$	Number	$	Number
Movements in Shareholder Options				
Expiring 25 November 2007 (ex price $0.35)				
Balance at the start of the year	-	-	-	1,000,000
Lapsed 25 November 2007	-	-	-	(1,000,000)
	-	-	-	-
Expiring 6 June 2008 (ex price $0.185)				
Balance at the start of the year	-	369,328	-	369,328
Lapsed 6 June 2008	-	(369,328)	-	(369,328)
	-	-	-	-

18. RESERVES (CONTINUED)

Expiring 28 April 2011 (ex price $0.01)				
Balance at the start of the year	-	-	-	-
Issued 28 April 2009	-	300,000	-	-
	-	300,000	-	-
Total Shareholder Options Balance at the end of the financial year	**-**	**300,000**	**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 1 April 2009	(7,023)	(5,500,000)	-	-
	-	-	7,023	5,500,000
Expiring 25 November 2010 (ex price $0.335)				
Balance at the start of the year	34,260	300,000	91,360	800,000
Lapsed 9 November 2007	-	-	(57,100)	(500,000)
	34,260	300,000	34,260	300,000
Expiring 6 April 2011 (ex price $0.33)				
Balance at the start of the year	24,000	300,000	24,000	300,000
Lapsed 23 January 2009	(12,000)	(150,000)	-	-
	12,000	150,000	24,000	300,000
Expiring 6 April 2011 (ex price $0.22)				
Balance at the start of the year	16,220	164,000	26,406	267,000
Lapsed 29 September 2007	-	-	(8,801)	(89,000)
Lapsed 31 March 2008	-	-	(1,385)	(14,000)
	16,220	164,000	16,220	164,000
Expiring 24 November 2011 (ex price $0.26)				
Balance at the start of the year	7,000	100,000	7,000	100,000
Lapsed during the year	-	-	-	-
	7,000	100,000	7,000	100,000
Expiring 22 August 2012 (ex price - various)				
Balance at the start of the year	40,000	1,500,000	-	-
Lapsed 30 September 2008	(40,000)	(1,500,000)	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	8,160	150,000	-	-
Issued 29 May 2008	-	-	8,160	150,000
	8,160	150,000	8,160	150,000
Expiring 29 May 2013 (ex price - various)				
Balance at the start of the year	154,500	5,000,000	-	-
Issued 29 May 2008	-	-	154,500	5,000,000
	154,500	5,000,000	154,500	5,000,000
Total Management Options Balance at the end of the financial year	**232,140**	**5,864,000**	**291,163**	**13,014,000**

18. RESERVES (CONTINUED)

Key Terms and Conditions of Options Outstanding at Year End

Shareholder Options with exercise price of $0.01

i) Exercise price $0.01.
ii) Lapse on 28 April 2011
iii) Not transferable.
iv) The options vested on 28 April 2009.

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.

18. RESERVES (CONTINUED)

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.

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 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.

18. RESERVES (CONTINUED)

Management Options Expiring 29 May 2013

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

Number of Options	Exercise Price	Vesting Date
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) Not transferable.

19. ACCUMULATED LOSSES

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Opening balance	(14,034,928)	(9,787,314)	(16,521,629)	(13,492,014)
Lapse of options	(58,331)	151,320	(58,331)	151,320
Loss after income tax	(3,875,753)	(4,398,934)	(1,389,052)	(3,180,935)
Closing balance	(17,969,012)	(14,034,928)	(17,969,012)	(16,521,629)

20. 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:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank and in hand and short term Deposits (Note 9)	94,602	1,209,176	94,602	1,209,176

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

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Profit for the year after tax	(3,875,753)	(4,398,934)	(1,389,052)	(3,180,935)
Adjustments for:				
Depreciation	1,655	2,940	1,655	2,940
Impairment of Patents	2,395,717	954,605	-	-
Amortisation of Patent	90,984	263,394	-	-
Amortisation of other intangibles	869	4,333	869	4,333
Options expensed	-	202,660	-	202,660
Consultants fee – non cash	-	150,000	-	150,000
Loss on disposal of property plant and equipment	3,174	-	3,174	-
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	134,019	486	134,019	486
(Increase)/decrease in prepayments	1,552	13,472	1,552	13,472
(Decrease)/increase in trade and other payables	(168,331)	25,021	(168,331)	25,021
(Decrease)/increase in employee entitlements	(48,181)	13,031	(48,181)	13,031
(Decrease)/increase in other liabilities	-	(152,456)	-	(152,456)
Net cash used in operating activities	**(1,464,295)**	**(2,921,448)**	**(1,464,295)**	**(2,921,448)**

Financing Facilities

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

21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Accrued salaries		-	1,000	-	1,000
Employee entitlements (current)	17	-	48,181	-	48,181
Accrued superannuation		-	3,292	-	3,292
Employee entitlements (non-current)	17	-	-	-	-
		-	52,473	-	52,473

21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

Management and Employee Options

7,150,000 options expired in the year ending 2009. No new management or employee options were issued in the year ending 2009.

Options were granted to employees as follows:

	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the year	13,014,000	0.33	6,967,000	0.22
Granted	-	-	6,650,000	0.44
Lapsed	(7,150,000)		(603,000)	0.33
Exercised	-	-	-	-
Balance at end of year	5,864,000		13,014,000	0.33
Exercisable at end of year	5,314,000		6,264,000	0.20

	2009	2008
Employee Options granted during the year:		
Grant date	-	22 August 2007
Number	-	1,500,000
Vesting date	-	15 June 2009, 2010, 2011 (3 equal tranches)
Expiry date	-	22 August 2012
Exercise price	-	$0.25 / $0.50 / $1.00
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 lapsed on 30 September 2008, being 3 months after the resignation of the relevant employee.

22. DIRECTOR AND EXECUTIVE DISCLOSURES

Directors and Executives

1) Specified directors

- Mr T A Boyd — Director (appointed 7 May 2009)
- Mr M S Khosa — Director (appointed 7 May 2009)
- Prof. M V Henderson — Director (appointed 7 May 2009)
- Mr T Morrison — Director (appointed 7 May 2009)
- Dr J S Keniry — Chairman (non-executive) (Resigned 28 May 2009)
- Prof P D Steinberg — Director and Chief Executive Officer (executive) (Resigned 21 May 2009)
- Prof G A Pauli — Director (non executive) (Resigned 25 November 2008)
- Mr B E Foy — Director (non executive) (Resigned 27 April 2009)

2) Specified executives

- Mr R J McDougall — Chief Operating Officer (resigned 23 October 2008)
- Mr R C Vickery — Chief Financial Officer and Company Secretary (resigned 16 June 2009)

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.

22. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

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	
2009							
Specified Directors							
T A Boyd	-	-	-	-	-	-	-
M S Khosa	-	-	-	-	-	-	-
M V Henderson	-	-	-	-	-	-	-
T Morrison	-	-	-	-	-	-	-
J S Keniry	-	-	-	-	-	-	-
B E Foy	18,349	-	-	1,651	-	-	20,000
P D Steinberg (2)	114,664	-	-	6,751	-	-	121,416
G A Pauli	8,000	-	-	-	-	-	8,000
Specified Executives							
R J McDougall	88,351	-	-	4,319	-	-	92,670
R C Vickery	148,848	-	-	13,006	-	-	161,854
	378,212	-	-	25,728	-	-	403,940

	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

1. Superannuation in 2009 was paid to the following funds: Unisuper – P. Steinberg, B Foy ATF Cecilton Super Fund – B. Foy, Colonial First State – R. Vickery, and R McDougall. Superannuation in 2007 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.
2. Additional remuneration arrangements for Prof. Steinberg are included in note 23 to the accounts.

22. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

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
2009								
Specified Directors								
Nil								
Specified Executives								
Nil								
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

The issue of 50,000 Options to Prof. Pauli was approved by shareholders on 29 May 2008, however he elected not to accept these options.

22. 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	Vested at 30 June Exercisable
2009	$	$	$	$	$	$	$
T A Boyd	-	-	-	-	-	-	-
M S Khosa	-	-	-	-	-	-	-
M V Henderson	-	-	-	-	-	-	-
T Morrison	-	-	-	-	-	-	-
J S Keniry	987,500	-	-	(687,500)	300,000	200,000	200,000
B E Foy	50,000	-	-	-	50,000	-	-
P D Steinberg	5,200,000	-	-	-	5,200,000	5,200,000	5,200,000
Specified Executives							
R J McDougall	1,525,000	-	-	(1,525,000)	-	-	-
R C Vickery	-	-	-	-	-	-	-
Total	**7,762,500**			**(2,212,500)**	**5,550,000**	**5,400,000**	**5,400,000**
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**

(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)

Ordinary Shareholdings of Specified Directors and Specified Executives

	Balance 1 July	Changes	Balance 30 June
2009			
Directors			
T A Boyd	-	-	-
M S Khosa	-	-	-
M V Henderson	-	-	-
T Morrison	-	-	-
J S Keniry	62,143		-
B E Foy	140,000		
P D Steinberg	1,725,211		
G A Pauli	-	-	-
Key Management Personnel			
MD Ironside	-	-	-
R J McDougall	-	-	-
R C Vickery	50,000	-	50,000
Total			
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**

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 $nil for the year to 30 June 2009 (2008 - $66,405). At year end the company did not owe Prof Pauli any of this amount (2008 - nil). No other transactions to specified directors and specified executives were provided during the reporting period.

23. 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 (2008 – nil).

Transactions with wholly owned group

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

Director Related Transactions

On the 7th June 2009 the company signed a management services agreement with Fusion Life Sciences Pty Ltd, a company of which Mr Tim Boyd is director. The agreement was for the provision of services in respect of a corporate restructure. A payment of $30,000 was made in June 2009 for three months' services. The fee structure is for $10,000 per month for a minimum of 4 months, the issue of 2 million BOS shares with a Reverse Merger Success Fee of $150,000. Fifty percent of this success fee may be converted to equity in Biosignal at the election of Fusion Lifesciences at a price per share of $0.015 on closing of a Successful reverse merger transaction.

Other related party transactions

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Purchases of Services from Shareholders				
University of New South Wales	95.688	92,696	95.688	92,696
NewSouth Innovations	264,664	1,334,750	264,664	1,334,750

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 $108,895 (2008 - $131,318) towards the salary package paid by the University of NSW to Prof. Peter Steinberg. This is in addition to the remuneration shown in note 22 to the accounts.

Payments to the University of NSW during the year ended 30 June 2009 included $74,230 in respect of previous periods.

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 22 to the accounts.

24. AUDITORS REMUNERATION

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

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Audit/Review of Financial Statements	43,360	43,640	43,360	43,640
Other services in relation to the Company:				
Tax compliance	-	7,350	-	7,350
Grant audits	2,500	3,500	2,500	3,500
Other advisory	-	1,390	-	1,390
	45,860	55,880	45,860	55,880

25. SEGMENT INFORMATION

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

26. 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 2009.

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 2009.

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.

27. EXPENDITURE COMMITMENTS

There were no capital commitments contracted during the year (2008 – nil).

28. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the year end the company has entered into a transaction with a NASDAQ listed biotechnology company (Commonwealth Biotechnology Ltd: CBTE) that will provide access to the resources and expertise to continue the development of the assets of Biosignal. The sale of the Biosignal assets to CBTE and the related share swap provide Biosignal shareholders with continued exposure to any value accretion in the IP while providing access to substantial resources for the continued development of the assets. The analytic and synthetic chemistry capability of CBTE through its Chinese partners is unique globally and will provide opportunities for accelerated development of the Biosignal technology.

Biosignal subsequent to year end has entered into initial documents for the merger of Biosignal with a major international media business. This transaction subject to shareholder approval continues to be the focus of management and will provide Biosignal shareholders an opportunity to be exposed to a new industry segment with potential for substantial growth.

To fund the ongoing transactions that have already been announced to the market, Biosignal is currently conducting negotiations with a number of institutional investors to fund the costs and expenses of bringing the announced transactions to completion, Biosignal will make the necessary announcements to the market at the appropriate times.