Incitive Annual Report 2009

Incitive ltd

ABN: 68 115 712 162

Corporate Information

DIRECTORS

Mr Mel Bridges (Executive Chairman)
Mr Winton Willesee (Non Executive Director)
Mr Eric de Mori (Non Executive Director)

AUDITORS

Johnston Rorke
Level 30
Central Plaza One
345 Queen Street
Brisbane Queensland 4000

COMPANY SECRETARY

Mr Winton Willesee

BANKERS

National Australia Bank
1238 Hay Street
West Perth
Western Australia 6000

REGISTERED OFFICE

Level 1
2 Ross Place
South Melbourne
Victoria 3205
Telephone : +61 3 9602 4133
Facsimile : +61 3 9670 6643

SOLICITORS

McCullough Robertson
Level 11
Central Plaza Two
66 Eagle Street
Brisbane Queensland 4000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross Western Australia 6153
Telephone : +61 8 9315 0933
Facsimile : +61 8 9315 2233

STOCK EXCHANGE

Incitive Limited shares are listed on the Australian Securities Exchange.

WEBSITE

www.incitiveltd.com

ASX CODE

ICV – Shares

Annual Financial Report 30 June 2009

Incitive Limited and its Controlled Entities

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Directors' Report

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Incitive Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2009.

DIRECTORS

The names of the Company's Directors in office during the year and until the date of this report are as below. The Directors were in office for the entire period unless otherwise stated.

Mr Mel Bridges BSc
Executive Chairman
Chair of Remuneration Committee
Chair of Nominations Committee
Member of Audit & Risk Committee
Mr Bridges has over 30 years experience in the biotechnology and healthcare industries. During this period, Mel founded and managed successful diagnostics, biotechnology and medical devices businesses. He co-founded the listed company Panbio Limited (resigned 3 February 2003), and was the Chairman of Peptech Limited (resigned October 2007). Mr Bridges is currently the Chairman of Alchemia Ltd (appointed September 2003) and ImpediMed Ltd (appointed September 1999) and a non-executive director of Benitec Ltd (appointed 12 October 2007). He is also a director of a number of private companies involved in the biotech industry.

Mr Bridges has a BSc and is a Fellow of the Australian Institute of Company Directors.

Mr Winton Willesee BBus., DipEd., PGDipBus., MCom., FFin, CPA, MAICD
Non Executive Director and Company Secretary
Appointed 16 October 2008
Member of Remuneration Committee
Member of Nominations Committee
Chair of Audit & Risk Committee

Mr Willesee is an experienced Director and Company Secretary in the small capitalisation sector of ASX. Mr Willesee brings a broad range of experience in company administration, corporate governance and corporate finance.

He has a Master of Commerce, Post Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Finance and Investment, a Diploma in Education and a Bachelor of Business. Mr Willesee is a Fellow of the Financial Services Institute of Australasia and a member of CPA Australia.

Mr Willesee is also currently a Director of listed companies Base Iron Limited (appointed 23 May 2007), Boss Energy Limited (appointed 27 November 2007), Future Corporation Australia Limited (appointed 18 January 2008) and Newera Uranium Limited (appointed 31 March 2007). He is currently the Company Secretary of listed companies, Base Iron Limited, Boss Energy Limited, Future Corporation Australia Limited, Mantle Mining Corporation Ltd, Newera Uranium Limited and is joint Company Secretary of Uran Limited along with a number of unlisted public and private companies.

During the previous three years Mr Willesee has also held directorships with Hawk Resources Limited (now New Standard Energy Limited) and Wytomic Limited (now Sultan Corporation Limited).

Mr Eric de Mori BA, Dip Fin Services
Non Executive Director
Appointed 30 January 2009
Member of Remuneration Committee
Member of Nominations Committee
Member of Audit & Risk Committee

Mr de Mori is the Associate Director of Corporate Finance for Corporate Advisory and stock broking firm Cygnet Capital. Mr de Mori has over 5 years investment banking and analyst experience covering a wide range of sectors, working with international and Australian based opportunities.

Mr de Mori has specialist skills in mergers and acquisitions, valuations, capital raisings, initial public offerings, backdoor listings, project screening, due diligence investigations, early stage project management and extensive knowledge of Corporations law and ASX listing rules. Mr de Mori is currently also a Director of Newera Uranium Ltd (appointed 18 March 2009) and Mobilesoft Ltd (appointed 27 May 2009)

Mr Don Home BSc
Managing Director and Chief Executive Officer
Appointed 1 November 2007 – Resigned 30 January 2009

Dr Tracie Ramsdale PhD
Non-executive Director
Appointed 1 December 2007 – Resigned 26 November 2008

Dr John Wright PhD
Non-executive Director
Appointed 17 March 2008 – Resigned 26 November 2008

COMPANY SECRETARY

Mr Winton Willesee
Appointed 1 May 2009

Mr Russell Brown B.Ec C.A.
Appointed 21 September 2006 –Resigned 1 May 2009

INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors (and their related parties) in the shares and options of Incitive Limited were:

Directors	Ordinary shares	Options
Mr M Bridges	700,000	10,100,000
Mr E de Mori	-	10,000,000
Mr W Willesee	17,755,113	-

DIVIDENDS

No dividend has been paid or recommended by the directors since the commencement of the financial year.

PRINCIPAL ACTIVITIES

The principal activity during the period of the Group was research and development in the field of immunology. Refer Operating and Financial Review for changes in the nature of the principal activity during the year.

OPERATING AND FINANCIAL REVIEW

The 2009 year has been a pivotal one for Incitive with ongoing positive results from its Sarantis drug development program, and the announcement in June of the signing of a Share Sale Agreement to acquire 100% of the shares of Australian medical device company V-Patch Medical Systems 1 Pty Ltd (V-Patch).

The V-Patch acquisition is anticipated to position Incitive in an income earning position in 2010, and importantly position the Company to be cash flow positive in a faster timeframe. This, coupled with the license agreement struck with Peptech Animal Health earlier in the year, positions Incitive as a growth technology stock going forward.

The Company's cost control measures resulted in a reported net loss of $1.25 million, down 25% on the previous year.

Operating expenditure of $1.49 million was a 15% reduction against the corresponding period (2008: $1.75 million). Net cash outflows from operating activities were down by $750,000 which was a 44% reduction against the corresponding period. These reductions are a direct consequence of the Company's cost reduction strategy and tight cost control.

V-PATCH ACQUISITION

The company announcement in June of the signing of a Share Sale Agreement to acquire, subject to shareholder approvals, 100% of Melbourne based cardiac medical device company V-Patch Medical Systems 1 Pty Ltd.

V-Patch's core business is the development of a non-invasive, non-obtrusive wireless based telemetry system for collecting human vital signs, initially focussed on cardiac (heart) monitoring in real time.

V-Patch has designed, developed and manufactured a set of miniaturised, wearable, non-invasive and non-obtrusive biosensors comprising disposable "patches" and non disposable, wearable, "smart-analysis" modules with wireless connection to mobile/cell phone networks directly interfacing with the internet. This innovative device allows physicians the ability to remotely monitor patients' cardiac function.

Initially this technology and the resultant data analysis is being applied to ECG heart measurements to diagnose the early onset of heart disease. The product, called V-Patch, analyses the heart beats on the body in real time. The information is then transmitted via the cell phone network back to the doctor via the internet.

At the basic level driving the company's revenue potential is that it directly taps into the existing US$1.7 billion cardiac monitor market. This market continues to grow due to the obesity pandemic. The V-Patch device is one of the most advanced in its innovation and advanced telemetry.

Additional applications of the platform telemetry technology for other forms of mobile ambulatory monitoring ("MAT") (this is a US$5 billion pa market), include intra-hospital use. Because of its wireless and light weight nature the technology will allow more patients to be monitored in a mobile situation within the hospital without expensive wire installations as currently exists. It will also allow the monitoring of patients to occur outside the hospital with some recuperation at home, thus lowering hospital costs.

The V-Patch product already has CE-Mark (European Union) approval for Europe, and the intention is to file for FDA approval in the 2009-2010 FY.

Incitive will use the V-Patch acquisition to continue to build on its human and animal health assets.

COMPANY BACKGROUND – GENERAL

Incitive is a Life Science/biotech company that has stated its aim is to become a leader in the development of anti-inflammatory and immunosuppressant drugs. The Company specialises in the development of compounds from Bromelain to treat a range of inflammatory and gastrointestinal diseases. These markets are large with Inflammatory Bowel Disease pharmaceutical treatments generating over US$2.3 billion in sales globally each year.

The business focus is to become a sustainable Life Science company by in-licensing technology and lead compounds at the discovery stage, taking them through preclinical studies to create significant added value, and partnering with large pharmaceutical or biotechnology companies for the clinical phase.

Incitive's current pipeline of products is novel and based on over ten years of international peer-reviewed research. The lead products include small molecule drugs and protein drugs, all aimed to treat major indications such as organ transplantation and autoimmune diseases – large markets of substantially unmet clinical needs. The mix of scientific excellence, commercial expertise, access to top research facilities and a solid pipeline, puts ICV in a favourable position in the market place.

Having regard to the current economic environment, ICV is actively pursuing available options to achieve a commercial outcome for its technology, the Company and its Shareholders. Such options include partnering ICV technology to appropriately resourced pharmaceutical and biotechnology companies and also making acquisitions of businesses in the broader biotech sector that will bring benefits to shareholders.

OPERATING RESULTS FOR THE FINANCIAL YEAR

The result of the Company for the year ended 30 June 2009 was a loss of $1,198,865 (2008: loss $2,251,942). The consolidated loss for the year ended 30 June 2009 was $1,253,785 (2008: loss $1,678,588).

ENVIRONMENTAL REGULATION

The Directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment.

There have been no known breaches by the Group during the financial period.

SHARE OPTIONS

UNISSUED SHARES

At the date of this report there were 23,600,000 unissued ordinary shares of Incitive Limited under option. Refer to notes 13 and 24, of the financial statements for further details on the options outstanding.

Option holders do not have the right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

OPTIONS GRANTED

During the year, 20,100,000 options over ordinary shares of Incitive Limited were granted to Directors and other key management personnel. Subsequent to year-end no further options have been granted. Refer to the Remuneration Report below for further details.

SHARES ISSUED ON EXERCISE OF OPTIONS

No shares have been issued on exercise of options since the beginning of the year.

SIGNIFICANT CHANGE IN STATE OF AFFAIRS

Refer Operating and Financial Review.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Directors are not aware of any matters or circumstances not otherwise dealt with in this report or consolidated financial statements that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Company has agreed to indemnify all Directors and Executive Officers of the Company, against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or Officers of the Company, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company has paid premiums of $10,628.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors intend to continue to seek to maximise the value of the Sarantis assets whilst also seeking to complete the V-Patch transaction.

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

A. Remuneration policy
B. Details of remuneration
C. Service contracts
D. Share-based payment compensation
E. Additional information

A. Remuneration Policy

REMUNERATION PHILOSOPHY

The performance of the Company depends upon the quality of its Directors and other key management personnel.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Executive Directors and the senior management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments (including option allocations) of such Officers on a periodic basis by reference to the relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and key management team.

EXECUTIVE REMUNERATION STRUCTURE

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of Executive Directors' and Officers' emoluments (including option allocations) to the Company's financial and operational performance. All Directors and other key management personnel will have the opportunity to qualify for participation in the Employee Share Option Plan.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of Company-wide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and additional superannuation, which is provided by salary sacrifice. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration – Long Term Incentive (LTI)

The LTI plan aims to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. There are no performance criteria for the grant of options.

As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

LTI grants to executives are delivered in the form of options.

Usually options issued under the employee share option plan, including executive options, generally have a one to two year vesting period. If an executive ceases employment with the Company prior to the options vesting, then those options are forfeited. Vested options are forfeited if they are not exercised within one month upon an executive ceasing employment with the Company, or as appropriate in special circumstances as deemed appropriate by Board of Directors.

Options are granted under the plan for no consideration. They also carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share in Incitive Limited.

The plan rules do not contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. However, the Directors, at their discretion imposed such a restriction. Consequently plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

During the financial year options were granted as equity compensation benefits by either shareholder approval or under the Employee Share Option Plan (ESOP) to certain Directors and key management personnel as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity. For further details of the options issued pursuant to the ESOP including the terms and conditions including the service criteria that must be met refer to note 24 to the financial statements.

To date, options over shares have been issued to directors and executives as part of their remuneration packages and have been subject to shareholder's approval. There are no performance hurdles attaching to the options granted other than service vesting conditions. However, exercise prices are significantly in excess of the underlying share's market price at the time of grant.

Packages are tailored to individual employees in order to provide maximum encouragement to perform for the benefit of shareholders and are designed to reflect labour demands. The aim of individual remuneration packages is to provide a balance between the immediate and long-term goals of the company.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to aggregate remuneration at a level which provides the Company the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Non-executive Director remuneration is determined within the aggregate Directors fee pool, which is periodically recommended for approval by shareholders. The latest determination of $200,000 was set prior to the Company's listing on the ASX and was disclosed in its Prospectus.

Each Director receives a fee for being a Director of the Company. No additional fees are paid for Board committee membership. Should a Director be requested by the Chairman to undertake review work additional to normal Board and Board committee work, the Director receives additional fees based on commercial hourly rates. However, the additional fees will not result in the aggregate amount of Directors' fees approved by shareholders being exceeded.

REMUNERATION, COMPANY PERFORMANCE AND SHAREHOLDER WEALTH

The development of remuneration policies and structures are considered in relation to the effect on Company performance and shareholder wealth. They are designed by the Board to align Director and executive behaviours with improving Company performance and, ultimately, shareholder wealth.

The Company's principal objective is to build shareholder wealth by advancing early stage research and development of drugs in the field of immunology. Costs of this activity are written off as incurred and as such earnings per share is not a meaningful measure of performance in this early stage activity. The Company's activities have also not reached a stage that emerging value in its projects is reflected in its share price; which is also affected by general market factors outside the Company's control. The table below sets out the Company's share price at the end of each of the last three financial years since incorporation, together with the Earnings Per Share for the same period.

Financial year ended	Closing Share Price (cents)	Earnings per share (cents)
30 June 2007	10	(7.47)
30 June 2008	5	(3.73)
30 June 2009	0.7	(1.02)

B. Details of Remuneration

2009	Short term Employee Benefits Cash Salary & Fees $	Post Employ-ment Benefits Super-annuation $	Share-based Payments Options $	Share-based Payments Shares $	Total $	Proportion Perform-ance Based %
DIRECTORS						
Mr M Bridges – Executive Chairman	73,250	-	44,000	-	117,250	-
Mr W Willesee (1) – Company Secretary	39,500	-	-	87,500	127,000	-
Mr E de Mori (2) – Non-executive Director	10,415	-	44,000	-	54,415	-
Dr J Wright (4) – Non-executive Director	10,000	-	350	-	10,350	-
Dr T Ramsdale (3) – Non-executive Director	10,000	900	350	-	11,250	-
Mr D Home (5) – Chief Executive Officer	140,954	11,035	7,563	35,000*	194,552	-
	284,119	11,935	96,263	122,500	514,817	
OTHER KEY MANAGEMENT PERSONNEL						
Mr R Brown (6) – Company Secretary	96,880	-	-	-	96,880	-
Dr T Mynott – Chief Scientific Officer	146,821	8,663	3,507	28,875**	187,866	-
	243,701	8,663	3,507	28,875	284,746	
	527,820	**20,598**	**99,770**	**151,375**	**799,563**	

* *Included in this amount are termination benefits of $35,000 which represent 5,000,000 ordinary shares valued at the date of grant (being the EGM on 2 June 2009) at a market price of 0.7 cents per share.*

** *Included in this amount are termination benefits of $28,875 which represent 4,125,000 ordinary shares valued at the date of grant (being the EGM on 2 June 2009) at a market price of 0.7 cents per share.*

(1) *Appointed as a director on 16 October 2008 and company secretary on 1 May 2009.*

(2) *Appointed on 30 January 2009.*

(3) *Appointed on 1 December 2007 and resigned on 26 November 2008.*

(4) *Appointed on 17 March 2008 and resigned on 26 November 2008.*

(5) *Resigned on 30 January 2009.*

(6) *Resigned 1 May 2009*

2008	Short term Employee Benefits Cash Salary & Fees $	Post Employ-ment Benefits Super-annuation $	Share-based Payments Options $	Total $	Proportion Perform-ance Based %
DIRECTORS					
Mr M Bridges – Chairman	50,000	-	2,252	52,252	-
Dr J Wright (4) – Non-executive Director	7,000	-	-	7,000	-
Dr T Ramsdale (3) – Non-executive Director	14,000	1,260	-	15,260	-
Mr D Home (6 & 12) – Chief Executive Officer	200,000	17,512	22,559	240,071	-
Mr S Willis (8) – Chairman	8,000	-	-	8,000	-
Dr T Mynott (9) – Chief Scientific Officer	165,000	14,850	7,755	187,605	-
Dr P Washer (11) – Non-executive Director	17,097	-	-	17,097	-
Mr D McAuliffe (10) – Non-executive Director	10,000	-	-	10,000	-
	471,097	33,622	32,566	537,285	
OTHER KEY MANAGEMENT PERSONNEL					
Mr R Brown (6 & 7) – Company Secretary	81,200	-	-	81,200	-
	81,200	-	-	81,200	-
	552,297	**33,622**	**32,566**	**618,485**	

(7) *Appointed company secretary on 21 September 2006. Amounts paid to Pitcher Partners/ Vincents of whom R C Brown was formerly a partner.*

(8) *Appointed on incorporation on 10 August 2005 and resigned 1 November 2007.*

(9) *Appointed on 16 February 2006 and resigned as a director 1 November 2007, but continues as Chief Scientific Officer.*

(10) *Appointed on 16 February 2006 and resigned 30 November 2007.*

(11) *Appointed on 16 February 2006 and resigned 17 March 2008.*

(12) *Appointed on 1 March 2006 as CEO and as director on 30 January 2009.*

There were no other key management personnel or executives in the current or previous reporting period.

C. Service Contracts

An entity associated with Mr W Willesee is engaged to provide corporate and office services.

- Term of Agreement – 1 May 2009 on going
- Fees - $10,000 per month
- Notice Period – 3 months

Dr Mynott resigned as a full time employee on 31 January 2009. She is now a contractor paid as and when services are provided. There is no termination notice period and no termination payments payable.

Neither Mr de Mori nor Mr Bridges is employed on a formal contract.

D. Share-based Payment Compensation

OPTIONS

Details of options over ordinary shares in the Company provided as remuneration to each Director of Incitive Limited and each of the other key management personnel during the year are set out below.

	Terms & Conditions for each Grant						
	Granted No.	Vested No.	Grant Date	Fair Value per Option at Grant Date	Exercise Price per Share	First Exercise Date	Expiry Date
DIRECTORS							
Mr M Bridges	10,000,000	10,000,000	28 June 2009	0.44 cents	1 cent	28 June 2009	30 June 2012
Mr E de Mori	10,000,000	10,000,000	28 June 2009	0.44 cents	1 cent	28 June 2009	30 June 2012
Dr J Wright	50,000	50,000	11 August 2008	0.7 cents	20 cents	11 August 2008	10 August 2011
Dr T Ramsdale	50,000	50,000	11 August 2008	0.7 cents	20 cents	11 August 2008	10 August 2011

The options were issued for no cash consideration. No remuneration options were exercised or lapsed during the year. All options granted in 2009 vested immediately.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using commonly accepted option pricing principles (including Black-Scholes option pricing model) that take into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Model inputs for options granted during the year are disclosed in note 24 in the financial report.

SHARES

During the year the following ordinary shares in Incitive Limited were granted in lieu of cash fees to key management personnel:

1. Don Home – 5,000,000 shares- for part of termination benefits
2. Tracey Mynott - 4,125,000 shares- for part of termination benefits
3. Azalea Consulting Pty Ltd (an entity associated with Winton Willesee) – 12,500,000 shares – for provision of non-executive director, company secretarial, and head office/ administrative services.

The shares were valued at a fair value price of 0.7 cents per share being the market value at the grant date (2 June 2009).

E. Additional Information

DETAILS OF REMUNERATION: OPTIONS

For each grant of options the percentage of the available grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The options granted under the ESOP generally vest over two years, provided the vesting conditions are met (see above). The options granted under shareholder approval vest immediately. No options will vest if the particular conditions (if any) are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
DIRECTORS						
Mr D Home	2008	100%	-	2009	-	-
Mr D Home	2008	-	-	2010	-	1,675
Dr T Ramsdale	2009	100%	-	2009	-	-
Mr J Wright	2009	100%	-	2009	-	-
Mr M Bridges	2009	100%	-	2009	-	-
Mr E de Mori	2009	100%	-	2009	-	-
OTHER KEY MANAGEMENT PERSONNEL			-	-		
Dr T Mynott	2008	100%	-	2009	-	-

Further details relating to options granted, exercised, or lapsed during the year are set out below.

NAME	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
Mr E de Mori	80.9%	44,000	-	-
Mr M Bridges	37.5%	44,000	-	-
Dr T Ramsdale	3.1%	350	-	-
Mr J Wright	5.5%	350	-	-

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of options at that date.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

LOANS TO DIRECTORS AND EXECUTIVES

There are no loans to directors or executives.

COMMITTEE MEMBERSHIP

At the date of this report, the Company's Board had established the following committees:

- Audit and Risk Committee
- Remuneration Committee
- Nominations Committee

AUDIT AND RISK COMMITTEE

MR W WILLESEE (CHAIR)
MR M BRIDGES
MR E DE MORI

REMUNERATION COMMITTEE

MR M BRIDGES (CHAIR)
MR W WILLESEE
MR E DE MORI

NOMINATIONS COMMITTEE

MR M BRIDGES (CHAIR)
MR W WILLESEE
MR E DE MORI

DIRECTORS' MEETINGS

The number of Directors' meetings and Committee meetings and the number of meetings attended by each of the Directors of the Company for the time the Director held office during the financial year are:

Director	Board		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
Number of Meetings Held	17		1		-		-	
Number of Meetings Attended	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
Mr M Bridges	17	17	1	1	-	-	-	-
Dr J Wright	6	6	1	1	-	-	-	-
Dr T Ramsdale	6	6	1	1	-	-	-	-
Mr D Home	8	8	-	-	-	-	-	-
Mr E de Mori	9	9	-	-	-	-	-	-
Mr W Willesee	14	14	-	-	-	-	-	-

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor, Johnston Rorke, for audit services provided during the year are set out in note 22 to the financial statements.

During the year there were no fees paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

Signed in accordance with a resolution of Directors.

Mr Mel Bridges
Director
Brisbane, Queensland, 22 September 2009

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance.

In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2009.

BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each director, and board committee member, who is in office at the date of the annual report and their term of office are detailed in the Director's report.

The independent director of the Company is Mr Winton Willesee.

When determining the independent status of a Director the Board used the Guidelines detailed in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

RECOMMENDATION	INCITIVE LIMITED CURRENT PRACTICE
1.1 Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Satisfied. Board Charter is available at www.incitiveltd.com in the Corporate Governance Statement.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Satisfied. Board Performance Evaluation Policy is available at www.incitiveltd.com in the Corporate Governance Statement.
1.3 Companies should provide the information indicated in the Guide for reporting on Principle 1	Satisfied. The Board Charter is available at www.incitiveltd.com in the Corporate Governance Statement. During the year the composition of management changed significantly. No formal appraisal of management was conducted.
2.1 A majority of the board should be independent directors.	Not Satisfied. Mr Bridges is currently filling the role of Executive Chairman. Mr de Mori is an employee of a material professional adviser to the Company and may be considered materially associated with that service provider. Only Mr Willesee is classed as independent under ASX guidelines. The Board considers that given the size and nature of the Company the current Board is appropriate.
2.2 The chair should be an independent director.	Not Satisfied. Given the size and nature of the Company, Mr Bridges is currently fulfilling the executive role with the company however remains the most appropriate director to act as Chairman.
2.3 The roles of chair and Chief Executive Officer should not be exercised by the same individual.	Not Satisfied. Given the size and nature of the Company, Mr Bridges is currently fulfilling the executive role with the company however remains the most appropriate director to act as Chairman.
2.4 The board should establish a nomination committee.	Satisfied. The nomination committee consists of the full Board. The Board consider that given the current size of the Board (3), this function is efficiently achieved with full Board participation.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Board Performance Evaluation Policy is available at www.incitiveltd.com in the Corporate Governance Statement.
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2	Satisfied. During the year the composition of the Board and its committees changed significantly. No formal appraisal was conducted.

RECOMMENDATION		INCITIVE LIMITED CURRENT PRACTICE
3.1	Companies should disclose a code of conduct and disclose the code or a summary of the code as to: The practices necessary to maintain confidence in the company's integrity The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. The Code of Conduct is available at www.incitiveltd.com in the Corporate Governance Statement.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Satisfied. The Trading Policy is available at www.incitiveltd.com in the Corporate Governance Statement.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	Satisfied.
4.1	The board should establish an audit committee.	Satisfied. The audit committee consists of the full Board. The Board consider that given the current size of the Board (3), this function is efficiently achieved with full Board participation.
4.2	The board committee should be structured so that it: Consists only of non-executive directors Consists of a majority of independent directors Is chaired by an independent chair, who is not chair of the board Has at least three members	Not satisfied. The Company has adopted a policy which includes Executive Directors as audit committee members.
4.3	The audit committee should have a formal charter.	Satisfied. Audit Committee charter is available at www.incitiveltd.com in the Corporate Governance statement.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	Satisfied.
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available at www.incitiveltd.com in the Corporate Governance statement.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	Satisfied.
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Satisfied. Shareholders communication strategy is available at www.incitiveltd.com in the Corporate Governance statement.

RECOMMENDATION		INCITIVE LIMITED CURRENT PRACTICE
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	Satisfied.
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management program is available at www.incitiveltd.com in the Corporate Governance statement.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Satisfied. The Board, including the Executive Chairman, routinely consider risk management matters.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied. The Board has received a section 295A declaration pursuant to the 2009 financial period.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	Satisfied.
8.1	The board should establish a remuneration committee.	Not Satisfied. The Board consider that given the current size of the Board (3), this function is efficiently achieved with full Board participation and consequently no meetings have been held.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of Directors' remuneration is disclosed in the remuneration report of the annual report.
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	Risk remuneration committee charter is available at www.incitiveltd.com in the Corporate Governance statement.

Further information about the Company's corporate governance practices is set out on the Company's website at www.incitiveltd.com

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Auditor's Independence Declaration

As lead engagement partner for the audit of the financial report of Incitive Limited for the financial year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

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

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

JOHNSTON RORKE
Chartered Accountants

K.A. HAIDUK
Partner

Brisbane, Queensland
22 September 2009

Liability limited by a scheme approved under Professional Standards Legislation

Income Statements for the year ended 30 June 2009

	Notes	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
REVENUE AND OTHER INCOME					
Interest		13,028	71,445	11,196	32,420
Research and development concession	3	221,301	-	-	-
Management fees – controlled entities		-	-	-	90,000
		234,329	71,445	11,196	122,420
Research and development expenses		(525,860)	(1,009,386)	(137,181)	(300,576)
Corporate and administrative expenses		(898,985)	(740,647)	(898,321)	(739,708)
Impairment of investment in controlled entity		-	-	-	(1,061,152)
Impairment of loans to controlled entities	7	-	-	(111,290)	(272,926)
Finance costs		(63,269)	-	(63,269)	-
LOSS BEFORE INCOME TAX	3	(1,253,785)	(1,678,588)	(1,198,865)	(2,251,942)
Income tax benefit / (expense)	4	-	-	-	-
LOSS FOR THE YEAR		(1,253,785)	(1,678,588)	(1,198,865)	(2,251,942)
LOSS IS ATTRIBUTABLE TO:					
Members of the parent		(1,253,785)	(1,666,279)	(1,198,865)	(2,251,942)
Minority interest		-	(12,309)	-	-
		(1,253,785)	(1,678,588)	(1,198,865)	(2,251,942)

	Notes	Cents	Cents
Earnings per share for loss attributable to ordinary equity holders of the parent:			
- basic (loss)	5	(1.02)	(3.73)
- diluted (loss)	5	(1.02)	(3.73)

The accompanying notes form part of the financial report.

Balance Sheets as at 30 June 2009

	Notes	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
ASSETS					
Current Assets					
Cash and cash equivalents	6	414,021	338,965	413,930	6,989
Trade and other receivables	7	196,258	72,699	190,409	19,390
Receivables from controlled entities	7	-	-	-	328,094
Prepayments		7,616	52,522	7,616	9,640
Total Current Assets		617,895	464,186	611,955	364,113
NON-CURRENT ASSETS					
Plant and equipment	9	-	7,916	-	7,916
Total Non-current Assets		-	7,916	-	7,916
TOTAL ASSETS		617,895	472,102	611,955	372,029
LIABILITIES					
Current Liabilities					
Trade and other payables	11	132,199	206,898	99,699	135,185
Provisions	12	-	33,629	-	33,629
Total Current Liabilities		132,199	240,527	99,699	168,814
TOTAL LIABILITIES		132,199	240,527	99,699	168,814
NET ASSETS		485,696	231,575	512,256	203,215
EQUITY					
Share capital	13	7,352,914	5,953,418	7,352,914	5,953,418
Reserves	14	459,518	351,108	234,753	126,343
Accumulated losses	15	(7,326,736)	(6,072,951)	(7,075,411)	(5,876,546)
TOTAL EQUITY		485,696	231,575	512,256	203,215

The accompanying notes form part of the financial report.

Cash Flow Statements for the year ended 30 June 2009

	Notes	CONSOLIDATED		PARENT	
		2009 $	2008 $	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		13,028	71,445	11,196	32,420
Management fees – controlled entities		-	-	-	90,000
Research and development concession		221,301	-	-	-
Payments to suppliers and employees		(1,201,486)	(1,788,822)	(863,271)	(915,044)
NET CASH USED IN OPERATING ACTIVITIES	6	(967,157)	(1,717,377)	(852,075)	(792,624)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of minority interest	17	-	(1)	-	-
Loan to V Patch	7	(150,000)	-	(150,000)	-
Loans to controlled entities		-	-	(395,137)	(840,420)
Repayment of loans by controlled entities		-	-	611,940	239,400
NET CASH PROVIDED BY/ (USED IN) INVESTING ACTIVITIES		(150,000)	(1)	66,803	(601,020)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from converting loans		500,000	-	500,000	-
Proceeds from issue of shares		783,907	600,000	783,907	600,000
Payments for share issue costs		(91,694)	(30,000)	(91,694)	(30,000)
NET CASH FROM FINANCING ACTIVITIES		1,192,213	570,000	1,192,213	570,000
Net increase/(decrease) in cash and cash equivalents		75,056	(1,147,378)	406,941	(823,644)
Cash and cash equivalents at beginning of year		338,965	1,486,343	6,989	830,633
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	414,021	338,965	413,930	6,989

The accompanying notes form part of the financial report.

Statements of Changes in Equity for the year ended 30 June 2009

	Attributable to Members of the Parent						
	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Reserve Arising from an Equity Transaction	Total	Minority Interest	Total Equity
	$	$	$	$	$	$	$
CONSOLIDATED							
At 30 June 2007	5,383,418	(4,406,672)	80,806	-	1,057,552	237,074	1,294,626
Issue of share capital	600,000	-	-	-	600,000	-	600,000
Transaction costs	(30,000)	-	-	-	(30,000)	-	(30,000)
Loss for the year	-	(1,666,279)	-	-	(1,666,279)	(12,309)	(1,678,588)
Acquisition of minority interest	-	-	-	224,765	224,765	(224,765)	-
Cost of share-based payments	-	-	45,537	-	45,537	-	45,537
At 30 June 2008	5,953,418	(6,072,951)	126,343	224,765	231,575	-	231,575
Issue of share capital	1,623,190	-	-	-	1,623,190	-	1,623,190
Transaction costs	(223,694)	-	-	-	(223,694)	-	(223,694)
Loss for the year	-	(1,253,785)	-	-	(1,253,785)	-	(1,253,785)
Cost of share-based payments	-	-	108,410	-	108,410	-	108,410
At 30 June 2009	7,352,914	(7,326,736)	234,753	224,765	485,696	-	485,696
PARENT							
At 30 June 2007	5,383,418	(3,624,604)	80,806	-	1,839,620	-	1,839,620
Issue of share capital	600,000	-	-	-	600,000	-	600,000
Transaction costs	(30,000)	-	-	-	(30,000)	-	(30,000)
Loss for the year	-	(2,251,942)	-	-	(2,251,942)	-	(2,251,942)
Cost of share-based payments	-	-	45,537	-	45,537	-	45,537
At 30 June 2008	5,953,418	(5,876,546)	126,343	-	203,215	-	203,215
Issue of share capital	1,623,190	-	-	-	1,623,190	-	1,623,190
Transaction costs	(223,694)	-	-	-	(223,694)	-	(223,694)
Loss for the year	-	(1,198,865)	-	-	(1,198,865)	-	(1,198,865)
Cost of share-based payments	-	-	108,410	-	108,410	-	108,410
At 30 June 2009	7,352,914	(7,075,411)	234,753	-	512,256	-	512,256

The accompanying notes form part of the financial report.

Notes to the Financial Statements for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated. The financial report includes separate financial statements for Incitive Limited as an individual entity and the consolidated entity consisting of Incitive Limited and its subsidiaries.

(A) BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), and the *Corporations Act 2001*.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Incitive Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets, where appropriate.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Incitive Limited ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Incitive Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(f)).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Incitive Limited.

(C) SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those segments operating in other economic environments.

(D) REVENUE RECOGNITION

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

Government Grants
Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. The Group recognises the Research and Development concession as a government grant.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(E) INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Tax consolidation legislation
Incitive Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation. Accordingly, the income tax expense, tax payable and deferred tax assets and liabilities of each entity are calculated on a standalone basis and are recognised in the entity to which they relate.

(F) BUSINESS COMBINATIONS

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(G) IMPAIRMENT OF ASSETS

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) CASH AND CASH EQUIVALENTS

For cash-flow presentation purposes cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(I) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30-90 days.

(J) INVESTMENTS AND OTHER FINANCIAL ASSETS

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

The Group has no financial assets at fair value through profit and loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using effective interest rate method. The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(K) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(L) PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is generally calculated on a straight-line (SL) basis so as to allocate the cost, net of residual values, of each item of property, plant and equipment (excluding land) over its estimated useful life to the Group.

The estimated useful lives are as follows:

CLASS	LIFE	BASIS
Plant and equipment	3-15 years	SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(M) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at costs less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash generating units for the purpose of impairment testing.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) INTANGIBLES

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at 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.

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

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(O) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-90 days of recognition.

(P) EMPLOYEE BENEFITS

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the employee benefits provision in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation
The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the Incitive Limited Employee Share Option Plan as detailed in note 24.

The fair value of options granted under the Incitive Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(Q) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(R) EARNINGS PER SHARE

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(S) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(T) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2009, are as follows:

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and decisions how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. It is likely to result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As goodwill may be allocated by management to groups of cash-generating units on a segment level, the change in reportable segment may also require a reallocation of goodwill. However, this is not expected to result in any additional impairment of goodwill.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective 1 January 2009)

The September 2007 revised AASB 101 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. If an entity has made 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 Group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value

or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(f) above.
The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(b)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)
The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(vii) AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(viii) AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions. As the Group does not construct real estate, it does not expect to make any adjustment on the initial application of AASB-I 15.

(ix) AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the Group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(x) AASB 2008-8 Amendment to AASB 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)
AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xi) AASB Interpretation 17 Distributions of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 (effective 1 July 2009)

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. This is different to the Group's current policy which is to measure distributions of non-cash assets at their carrying amounts. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Group will apply the interpretation prospectively from 1 July 2009.

(V) GENERAL

This financial report covers both Incitive Limited, as an individual entity (parent entity), and the consolidated entity, consisting of Incitive Limited and its controlled entities.

Incitive Limited is a publicly listed company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Level 1
2 Ross Place
South Melbourne VIC 3205

(W) ONGOING OPERATIONS

As disclosed in the financial statements, the company and consolidated entity each recorded an operating loss of $1,253,785 (2008: $1,678,588) and had cash outflows from operating activities of $967,157 (2008: $1,717,377) respectively for the year ended 30 June 2009. These factors indicate uncertainty whether the Company and consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The ability of the Company and the Group to continue as a going concern and to meet their debts and commitments as and when they fall due, is dependent upon achieving any one of, or a combination of, the following in order to meet any working capital shortfall:

(i) Successfully completing the V-Patch transaction and successfully implementing the V-Patch business plan;
(ii) Successful joint venturing of further research and development activities;
(iii) Additional realisation of asset value through licensing or other commercial arrangements; and
(iv) Raising additional capital.

The Directors believe after consideration of the above matters, there are reasonable grounds to believe that the Company and consolidated entity will be able to pay their debts as and when they become due and payable and are going concerns because of the following factors:

- The progress made on the capital raising being undertaken to facilitate the acquisition of V-Patch Medical Systems Pty Ltd and associated companies;
- The success in licensing assets to Peptech and the possibilities for additional licensing agreements;
- The ability to issue additional shares;
- The access to capital the Company has as a result of its publicly listed status; and
- The ability of the Company and consolidated entity to further scale back their activities to conserve cash.

Accordingly, the Directors believe that the Company will obtain sufficient funding to enable it and the consolidated entity to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

The financial statements have been prepared on a going concern basis, which assumes that the Company and Group will realise their assets and extinguish their liabilities in the normal course of business. Ongoing operations are dependent upon the matters described previously. Should these outcomes not occur, there is significant uncertainty that the Company and Group will be able to continue as going concerns and whether they will realise their assets, extinguish their liabilities and meet their forward commitments in the normal course of business at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary, should the Company and Group not continue as going concerns.

2. SEGMENT INFORMATION

The Group operates primarily in one business segment, being research and development of immunosuppressant compounds and one geographical segment being Australia.

3. OTHER INCOME AND EXPENSES

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Loss before income tax includes the following specific income:				
Research and development concession	221,301	-	-	-

Included in income is an amount of $221,301 (2008: $nil) in respect of a benefit arising from the Research and Development expenditure tax concession. The amount represents the claim in respect of expenditure incurred in the 2008 financial year for projects which have been registered with Innovation Australia.

The Group has elected to receive this benefit as an immediate cash payment rather than increasing tax losses for a future benefit.

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Loss before income tax includes the following specific expenses				
Minimum lease payments - operating lease	6,013	13,260	6,013	13,260
Employee benefits expense				
- Wages and salaries**	605,135	552,297	605,135	552,297
- Superannuation*	20,597	33,622	20,597	33,622
- Provision for annual leave	14,231	16,881	14,231	16,881
- Employee options expense	101,410	45,537	101,410	45,537
	741,373	648,337	741,373	648,337

* *Defined contribution superannuation expense.*

** *Included in this amount is $151,375 which was paid by way of issue of shares. Refer note 13(f) for further information.*

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Depreciation	4,307	5,894	4,307	5,894
Finance Costs				
-Interest on converting loans	24,658	-	24,658	-
-Other costs relating to converting loans	38,611	-	38,611	-
	63,269	-	63,269	-

4. INCOME TAX

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX:				
Loss before income tax	(1,253,785)	(1,678,588)	(1,198,865)	(2,251,942)
At the Australian tax rate of 30% (2008: 30%)	(376,135)	(503,576)	(359,659)	(675,583)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-assessable income	(66,390)	-	-	-
Non-deductible expenses	32,590	13,742	32,590	413,966
	(409,935)	(489,834)	(327,069)	(261,617)
Temporary differences not recognised as a deferred tax asset	(50,089)	(44,030)	(50,089)	(33,650)
Current year losses not recognised as a deferred tax asset	460,024	533,864	377,158	295,267
Income tax expense	-	-	-	-
UNRECOGNISED NET DEFERRED TAX ASSETS:				
Temporary differences for which no deferred tax asset has been recognised	1,265,818	1,341,086	204,672	279,940
Tax losses*	6,234,477	4,801,384	2,996,235	1,858,830
	7,500,295	6,142,470	3,200,907	2,138,770
Potential tax effect at 30%	2,250,088	1,842,470	960,272	641,631

** Includes capital losses of $896,667 (gross) on disposal of the PerfoRx licence, as part of the minority interest purchase (refer note 17).*

5. EARNINGS PER SHARE

	CONSOLIDATED 2009 Cents	CONSOLIDATED 2008 Cents
Basic earnings per share	(1.02)	(3.73)
Diluted earnings per share	(1.02)	(3.73)

Information concerning earnings per share:

(a) Earnings for the purpose of calculating basic and diluted earnings per share is the loss attributable to members of the parent.

(b) Options granted are considered to be potential ordinary shares. Details relating to options are set out in note 24.

(c) In 2008 and 2009 the options are not considered dilutive and are therefore not included in the calculation of diluted earnings per share. The options disclosed in note 24 could potentially dilute basic earnings per share in the future.

(d) Reconciliation of weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is as follows:

	CONSOLIDATED 2009 Number	CONSOLIDATED 2008 Number
Number used in calculating basic earnings per share	123,156,102	44,702,459
Weighted average number of options outstanding	-	-
Number used in calculating diluted earnings per share	123,156,102	44,702,459

6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Cash at bank and in hand	17,677	7,418	17,586	3,501
Short term deposits	396,344	331,547	396,344	3,487
	414,021	338,965	413,930	6,989

Information about the Group's and the Company's exposure to interest rate risk is provided in note 16.

RECONCILIATION FROM THE NET LOSS AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS

Net loss for the year	(1,253,785)	(1,678,588)	(1,198,865)	(2,251,942)
Adjustments for:				
Depreciation	4,307	5,894	4,307	5,894
Share-based payments	101,410	45,537	101,410	45,537
Write-off of property, plant , and equipment	3,609	-	3,609	-
Finance costs paid via share issue	62,908	-	62,908	-
Wages and fees paid via share issue	151,375	-	151,375	-
Impairment of investment in controlled entity	-	-	-	1,061,152
Provision for non-recovery of loans to controlled entities	-	-	111,290	272,926
Other	-	1	-	-
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	26,441	(53,161)	(21,018)	(12,017)
(Increase)/decrease in prepayments	44,906	(34,935)	2,024	7,947
Increase/(decrease) in provisions	(33,629)	16,881	(33,629)	16,881
Increase/(decrease) in trade and other payables	(74,699)	(19,006)	(35,486)	60,998
Net cash used in operating activities	(967,157)	(1,717,377)	(852,075)	(792,624)

NON-CASH INVESTING AND FINANCING ACTIVITIES

Options issued to employees and directors for nil cash are shown in note 24. Convertible notes converted during the year and associated share issues in lieu of capital raising fees are shown in note 23.

7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
CURRENT				
Other receivables	46,258	72,699	40,409	19,390
Loan to V Patch	150,000	-	150,000	-
	196,258	72,699	190,409	19,390
Loans to controlled entities	-	-	2,185,596	2,402,400
Provision for non-recovery	-	-	(2,185,596)	(2,074,306)
	-	-	-	328,094

OTHER RECEIVABLES

Other receivables mainly represent the Group's entitlement to recoverable GST amounts paid during the period. These amounts are generally unsecured, non-interest bearing and due 30-90 days from the date of recognition. Their fair value approximates their carrying amount.

There are no significant other receivables for either the Group or the Company that are past due or impaired.

LOANS TO CONTROLLED ENTITIES

During the year the Company increased the provision for non-recovery of loans to controlled entities by $111,290 (2008: $272,926). For further information relating to loans to controlled entities refer note 20.

Movements in the provision for non-recovery of loans to controlled entities are as follows:

	PARENT 2009 $	PARENT 2008 $
At 1 July	2,074,306	1,801,380
Increase in provision	111,290	272,926
At 30 June	2,185,596	2,074,306

The increase in the provision for impaired receivables has been included in 'expenses' in the income statement. The provision for non-recovery relates to an amount owing by a controlled entity and is based on the underlying net assets of that subsidiary.

LOAN TO V PATCH

In June 2009 $150,000 was loaned to V Patch. The amount is bearing interest at 12% with interest accruing from the date the vendor shares are bought back in the event that requirement is triggered and is secured by a fixed and floating charge over the assets of the V Patch entities. Should the V-Patch transaction announced to the market on 22 June 2009 including the raising of capital foreshadowed in that transaction not complete, the loan will become repayable within six months of its advance. If the transaction is successful then the amount becomes due twelve months from the date Incitive Limited gives written demand to V Patch.

Information about the Group's and the Company's exposure to credit risk is provided in note 16.

8. OTHER FINANCIAL ASSETS

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Investments in controlled entities (note 19)	-	-	2,073,433	2,073,433
Accumulated impairment loss	-	-	(2,073,433)	(2,073,433)
	-	-	-	-

Investments in controlled entities are initially recognised at cost. The carrying amount is reduced where the recoverable amount of the underlying interest is impaired.

During 2008 the parent recognised an impairment loss of $1,061,152 (2009: $nil) on the investment in controlled entities. This loss resulted from a fair value reassessment based on the recognised underlying net assets of the controlled entities. As disclosed elsewhere, the controlled entities carry out research and development which, given its nature, is expensed.

9. PLANT AND EQUIPMENT

PARENT AND CONSOLIDATED	Plant and equipment $
AT 30 JUNE 2009	
Cost	-
Accumulated depreciation	-
Net book value	-
AT 30 JUNE 2008	
Cost	21,034
Accumulated depreciation	(13,118)
Net book value	7,916
MOVEMENT IN PLANT AND EQUIPMENT:	
At 30 June 2007	13,810
Depreciation	(5,894)
At 30 June 2008	7,916
Depreciation	(4,307)
Disposals	(3,609)
At 30 June 2009	-

10. INTANGIBLE ASSETS

CONSOLIDATED	Intellectual property $	Total $
AT 30 JUNE 2009		
Cost	1,061,146	1,061,146
Impairment	(1,061,146)	(1,061,146)
Net carrying amount	-	-
AT 30 JUNE 2008		
Cost	1,061,146	1,061,146
Impairment	(1,061,146)	(1,061,146)
Net carrying amount	-	-

The parent entity has no intangible assets and there were no movements in the current or prior periods.

The intellectual property and licenses represented intangible assets purchased through two business combinations.

Intellectual property and licences were allocated to two individual cash generating units as follows:

- Licence - Immunex (formerly PerfoRx) cash generating unit; and
- Intellectual property - Sarantis cash generating unit.

During the 2008 financial year the licence held by Immunex Pty Ltd was sold as part of the acquisition of the minority interests by Neomune Pty Ltd (refer note 17).

11. TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Trade and other payables	132,199	206,898	99,699	135,185

Trade payables and accruals are generally unsecured, non-interest bearing and due 30-90 days from the date of recognition. Their fair value approximates their carrying amount.

12. PROVISIONS

Employee benefits	-	33,629	-	33,629

13. SHARE CAPITAL

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
ORDINARY SHARES				
Issued and fully paid –				
360,188,014 (2008: 46,850,000)	7,352,914	5,953,418	7,352,914	5,953,418

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

	Notes	No.	Issue Price $	$
Movement in ordinary shares				
As at 30 June 2007		40,850,000		5,383,418
8 November 2007- Share issue	(a)	6,000,000	0.10	600,000
Transaction costs				(30,000)
As at 30 June 2008		46,850,000		5,953,418
As at 1 July 2008		46,850,000		5,953,418
24-Feb-09 – Share issue	(b)	104,931,507	0.005	524,658
24-Feb-09 – Share issue	(c)	5,000,000	0.008	38,250
15-Apr-09 - Rights issue	(d)	156,781,507	0.005	783,907
21-Apr-09 - Share Issue	(e)	25,000,000	0.005	125,000
2-Jun-09 - Share Issue	(f)	21,625,000	0.007	151,375
Transaction costs				(223,694)
As at 30 June 2009		360,188,014		7,352,914

(a) The Company issued 6,000,000 ordinary shares at 10 cents each on 8 November 2007 raising a total of $600,000 cash.

(b) In September 2008 the Company raised $500,000 cash by way of converting notes. These notes accrued interest at a rate of 12% per annum. In February 2009 these notes and the interest payable of $24,658 were converted to 104,931,507 ordinary shares at a conversion price of 0.5 cents per share.

(c) In February 2009 5,000,000 ordinary shares were issued to Cygnet Capital as part consideration for managing the converting note capital raising. These services have a value of $38,250 which amounted to approximately 0.8 cents per share.

(d) In April 2009 the Company undertook a 1:1 (one for one) rights issue raising $783,907 cash via the issue of 156,781,507 ordinary shares at 0.5 cents per share.

(e) The rights issue above was underwritten by Cygnet Capital who received 25,000,000 ordinary shares as part consideration of their underwriting fee. These shares were valued at 0.5 cents per share which was commensurate with the rights issue price.

(f) In June 2009 21,625,000 ordinary shares were issued to key management personnel in lieu of cash payments for services. These shares were valued for accounting purposes at the market price of 0.7 cents at the date of grant being the extraordinary general meeting held on 2 June 2009.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

OPTIONS

As at balance date the number of options to purchase ordinary shares in the parent entity was as follows:

2009 No.	2008 No.	Exercise Price	Expiry Date
750,000	750,000	$0.20	1 March 2010
400,000	400,000	$0.20	1 September 2010
1,350,000	1,350,000	$0.20	21 November 2010
100,000	-	$0.20	11 August 2011
20,000,000	-	$0.01	30 June 2012
1,000,000	-	$0.10	19 November 2011

Refer to note 24 for details of options issued.

CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintain optimal return to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity commensurate with the business risk. Given the nature of the Group's operations, capital is normally raised through the issue of new shares to provide for future research and development and business opportunities. Management has current plans to issue further shares and provide funds for existing programs and business opportunities (Note 1(w)). The Group is not subject to any externally imposed capital requirements.

14. RESERVES

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Reserve arising from an equity transaction	224,765	224,765	-	-
Share-based payments reserve	234,753	126,343	234,753	126,343
	459,518	351,108	234,753	126,343
Reserve arising from an equity transaction	224,765	224,765	-	-
Movements:				
Opening balance 1 July	224,765	-	-	-
Gain on minority interest acquisition	-	224,765	-	-
Closing balance 30 June	224,765	224,765	-	-

This reserve arises from the acquisition of the remaining interest in Immunex Pty Ltd. Refer note 17 for further details.

Share-based payments reserve	234,753	126,343	234,753	126,343
Movements:				
Opening balance 1 July	126,343	80,806	126,343	80,806
Option expense	101,410	45,537	101,410	45,537
Options issued as transaction costs	7,000	-	7,000	-
Closing balance 30 June	234,753	126,343	234,753	126,343

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

15. ACCUMULATED LOSSES

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Accumulated losses at the beginning of the year	(6,072,951)	(4,406,672)	(5,876,546)	(3,624,604)
Loss for the year	(1,253,785)	(1,666,279)	(1,198,865)	(2,251,942)
Accumulated losses at the end of the year	(7,326,736)	(6,072,951)	(7,075,411)	(5,876,546)

16. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash and short term deposits, receivables and payables. Exposure to key financial risks is managed in accordance with the Group's risk management policy with the objective to ensure that the financial risks inherent in biotechnology research activities are identified and then managed or kept as low as reasonably practicable.

The main financial risks that arise in the normal course of business are market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for research and development expenditure. It is the Board's policy that no speculative trading in financial instruments be undertaken.

Primary responsibility for identification and control of financial risks rests with the C.E.O. and Company Secretary, under the authority of the Board. The Board is appraised of these risks from time to time and agrees any policies that may be undertaken to manage any of the risks identified.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial instrument are disclosed in Note 1 to the financial statements.

Set out below is a comparison by category of carrying amounts and fair values of all financial instruments recognised in the financial statements.

	CARRYING AMOUNT		FAIR VALUE	
	2009 $	2008 $	2009 $	2008 $
CONSOLIDATED				
Financial Assets				
Cash and cash equivalents	414,021	338,965	414,021	338,965
Loan to V Patch	150,000	-	150,000	-
Trade and other receivables	46,258	72,699	46,258	72,699
	610,279	411,664	610,279	411,664
Financial Liabilities				
Trade and other payables	132,199	206,898	132,199	206,898
PARENT				
Financial Assets				
Cash and cash equivalents	413,930	6,989	413,930	6,989
Loan to V Patch	150,000	-	150,000	-
Trade and other receivables	40,409	19,390	40,409	19,390
	604,339	26,379	604,339	26,379
Financial Liabilities				
Trade and other payables	99,699	135,185	99,699	135,185

The financial assets and liabilities are recognised on the balance sheet in accordance with the accounting policies set out in Note 1. The carrying values less impairment provision of receivables and payables are assumed to approximate their fair values due to their short term nature. Cash and cash equivalents are subject to variable interest rates.

MARKET RISK

Interest rate risk

The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. In June 2009 $150,000 was loaned to V Patch. The amount is bearing interest at 12% and is secured by a fixed and floating charge over the assets of the V Patch entities. Generally no interest is charged on the Group's trade and other receivables or payables. At balance date, the Group does not have any borrowings. The Group does not enter into hedges.

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
SENSITIVITY ANALYSIS				
Increase by 1%	5,640	3,390	5,639	70
Decrease by 1%	(5,640)	(3,390)	(5,639)	(70)

Foreign currency risk

The Group has no material transactional foreign currency exposures.

Commodity price risk

The Group's exposure to price risk is minimal.

CREDIT RISK

The Group trades only with recognised, creditworthy third parties.

The Group has no customers and consequently no significant exposure to bad debts or other credit risks except as disclosed in Note 7.

With respect to credit risk arising from financial assets, which comprise cash and cash equivalents and receivables, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. At balance date cash and deposits were held with National Australia Bank.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its ongoing research and development cash requirements and raises equity funding as and when appropriate to meet such planned requirements. The Group has no undrawn financing facilities. Trade and other payables, the only financial liability of the Group, are due within 3 months.

17. ACQUISTION OF MINORITY INTEREST

Effective 31 March 2008 Neomune Pty Ltd, Incitive's 100% owned subsidiary, acquired the remaining 40% of Immunex Pty Ltd it did not previously own. The consideration was $1 cash and certain licences (with a carrying value of $nil). The transaction included agreement with the Peter MacCallum Cancer Centre for the research and development program to revert back to their control. They will assume responsibility for funding the program and any future developments. Incitive retains an interest of 40% in the first five years and 20% thereafter in any commercial benefit that the Peter MacCallum Cancer Centre receives from this program.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	$
Cash consideration paid	(1)
Value of minority interest acquired	224,766
Gain on acquisition	224,765

18. COMMITMENTS

OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Within one year	-	9,114	-	9,114
After one year but not more than five years	-	-	-	-
	-	9,114	-	9,114

Operating lease commitments related to a premises lease which terminated in 2009.

RESEARCH AND DEVELOPMENT EXPENDITURE COMMITMENTS

Commitments in relation to future research and development activities are payable as follows:				
Within one year	-	311,494	-	-
After one year but not more than five years	-	-	-	-
	-	311,494	-	-

REMUNERATION COMMITMENTS

Commitments for the payment of remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

Within one year	-	99,463	-	99,463

The remuneration commitments were based on the notice periods per the contracts.

19. SUBSIDIARIES

The consolidated financial statements include the financial statements of Incitive Limited and the subsidiaries listed in the following table, in accordance with the accounting policy described in note 1(b).

	Country of incorporation	Equity interest		Investment	
		2009	2008	2009 $	2008 $
Neomune Pty Ltd	Australia	100%	100%	5	5
Immunex Pty Ltd*	Australia	100%	100%	1	1
Sarantis Pty Ltd	Australia	100%	100%	1,061,147	1,061,147
				1,061,153	1,061,153

** PerfoRx Pty Ltd changed its name to Immunex Pty Ltd on 30 April 2008. It is a subsidiary of Neomune Pty Ltd.*

20. RELATED PARTIES

ULTIMATE PARENT ENTITY

Incitive Limited is the ultimate parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in note 19.

OTHER TRANSACTIONS WITH SUBSIDIARIES

The following transactions occurred with subsidiaries:

	PARENT	
	2009 $	2008 $
Revenue – management fees	-	90,000

LOANS TO SUBSIDIARIES

Loans to subsidiaries	2,185,596	2,402,400

The parent entity advanced loans to subsidiaries and received repayments during the current year (refer cash flow statement). The loans are non-interest bearing, unsecured, at call and repayable in cash.

The parent entity has raised a provision for non-recovery of loans to controlled entities of $2,185,596 (2008: $2,074,306) – refer note 7.

GUARANTEES

There have been no guarantees provided.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 23.

21. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, other than as discussed in this report, the Directors are not aware of any other matters or circumstances that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

22. AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Amounts received or due and receivable by the Group's current auditor, Johnston Rorke for:				
Audit or review of the financial report of the entity and any other entity in the Group	26,700	25,500	26,700	25,500

There was no remuneration for other services provided by the auditor.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	527,820	552,297	527,820	552,297
Post-employment benefits	20,598	33,622	20,598	33,622
Share-based payment	251,145	32,566	251,145	32,566
	799,563	618,485	799,563	618,485

Total key management personnel compensation includes amounts included in employee benefits expense as well as other amounts included in corporate and administrative expenses for services rendered by the company secretary and their related parties.

EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Incitive Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2009	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Balance on resignation	Balance at the end of the year	Vested and exercisable at the end of the year
DIRECTORS						
Mr D Home	1,500,000	-	-	1,500,000	-	-
Mr M Bridges	100,000	10,000,000	-	-	10,100,000	10,100,000
Mr E de Mori	-	10,000,000	-	-	10,000,000	10,000,000
Mr J Wright	-	50,000	-	50,000	-	-
Mr W Willesee	-	-	-	-	-	-
Dr T Ramsdale	-	50,000	-	50,000	-	-
OTHER KEY MANAGEMENT PERSONNEL						
Dr T Mynott	500,000	-	-	-	500,000	500,000
	2,100,000	20,100,000	-	1,600,000	20,600,000	20,600,000

2008	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Balance on resignation	Balance at the end of the year	Vested and exercisable at the end of the year
DIRECTORS						
Mr D Home	750,000	750,000	-	-	1,500,000	750,000
Mr M Bridges	-	100,000	-	-	100,000	100,000
OTHER KEY MANAGEMENT PERSONNEL						
Dr T Mynott	-	500,000	-	-	500,000	250,000
	750,000	1,350,000	-	-	2,100,000	1,100,000

For details of the options issued refer note 24.

SHAREHOLDINGS

The numbers of shares in the Company held during the financial year by each Director of Incitive Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2009	Balance at the start of year	Issued	On Exercise of Options	Net Change Other	Balance on Resignation	Balance at the end of year
DIRECTORS						
Mr M Bridges	300,000	-	-	400,000***	-	700,000
Mr E de Mori	-	-	-	-	-	-
Mr W Willesee	-	17,755,113*	-	-	-	17,755,113
Mr D Home	125,000	5,000,000**	-	-	5,125,000	-
Dr T Ramsdale	-	-	-	-	-	-
Dr J Wright	-	-	-	-	-	-
OTHER KEY MANAGEMENT PERSONNEL						
Mr R Brown	-	-	-	-	-	-
Dr T Mynott	3,697,500	4,125,000**	-	3,697,500***	-	11,520,000
Total	4,122,500	26,880,113	-	4,097,500	5,125,000	29,975,113

* *Includes 5,255,113 ordinary shares issued upon conversion of converting notes (refer note 13(b)) and 12,500,000 ordinary shares issued in lieu of cash payments (refer note 13(f)).*

** *Issued in lieu of cash payments (refer note 13(f)).*

*** *Issued upon take up of rights issue (refer note 13(d)).*

2008	Balance at the start of year	On Exercise of Options	Net Change Other	Balance on Resignation	Balance at the end of year
DIRECTORS					
Mr M Bridges	-	-	300,000	-	300,000
Dr J Wright	-	-	-	-	-
Dr T Ramsdale	-	-	-	-	-
Mr D Home	125,000	-	-	-	125,000
Mr S Willis	50,000	-	(50,000)	-	-
Dr P Washer	60,564	-	(60,564)	-	-
Mr D McAuliffe	702,069	-	(702,069)	-	-
OTHER KEY MANAGEMENT PERSONNEL					
Dr T Mynott	3,697,500	-	-	-	3,697,500
Mr R Brown	-	-	-	-	-
Total	4,635,133	-	(512,633)	-	4,122,500

All equity transactions with Directors and other key management personnel, other than those arising from the 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 KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel at any time during the financial period.

24. SHARE BASED PAYMENTS

EMPLOYEE SHARE OPTION PLAN

The Group has an Employee Share Option Plan (ESOP) for the granting of non-transferable options to certain Directors, executives, consultants and employees.

Options issued under the ESOP will usually vest when both the following conditions have been met:

(i) 50% on completion of twelve months service; and

(ii) the second 50% if the employee continues to be an employee in the service of the Group for a further twelve months.

Under the plan the Directors have the discretion to alter vesting conditions.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- the exercise price of the options is equal to Incitive Ltd's IPO price and is payable in cash; and
- upon exercise, each option will be settled for one ordinary share in Incitive Ltd.

Grant date	Expiry date	Exercise price	Balance at the start of year Number	Granted during the year Number	Exercised during the year Number	Expired/ forfeited during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
CONSOLIDATED AND PARENT ENTITY – 2009								
1 Sept 2006	1 Sept 2010	$0.20	400,000	-	-	-	400,000	400,000
1 Mar 2006	1 Mar 2010	$0.20	750,000	-	-	-	750,000	750,000
22 Nov 2007	21 Nov 2010	$0.20	1,350,000	-	-	-	1,350,000	975,000
11 Aug 2008	11 Aug 2011	$0.20	-	100,000	-	-	100,000	100,000
CONSOLIDATED AND PARENT ENTITY – 2008								
1 Sept 2006	1 Sept 2010	$0.20	400,000	-	-	-	400,000	200,000
1 Mar 2006	1 Mar 2010	$0.20	750,000	-	-	-	750,000	750,000
22 Nov 2007	21 Nov 2010	$0.20	-	1,350,000	-	-	1,350,000	350,000

The weighted average remaining contractual life of share options outstanding at the end of the 2009 year was 1.18 years (2008: 2.15 years).

OTHER OPTIONS

During the year the Company granted options to key management personnel pursuant to the extraordinary meeting on 2 June 2009. During the year the Company also granted share placement options to Cygnet Capital as part of the 2007 share placement. These options vested immediately and were issued for no consideration. Upon exercise, each option will be settled for one ordinary share in Incitive Limited.

Grant date	Expiry date	Exercise price	Balance at the start of year Number	Granted during the year Number	Exercised during the year Number	Expired/ forfeited during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
CONSOLIDATED AND PARENT ENTITY – 2009								
2 June 2009	30 June 2012	$0.01	-	20,000,000	-	-	20,000,000	20,000,000
20 Nov 2008	19 Nov 2011	$0.10	-	1,000,000	-	-	1,000,000	1,000,000

The weighted average remaining contractual life of share options outstanding at the end of the 2009 year was 3 years (2008: N/A).

FAIR VALUE OF OPTIONS GRANTED

The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following table gives the key inputs used in determining the fair value of the options granted.

	Grant Date			
	2 Jun 2009	11 Aug 2008	20 Nov 2008	22 Nov 2007
Dividend yield (%)	-	-	-	-
Expected volatility (%)	112	79	79	67
Risk-free interest rate (%)	3.6	5.9	3.4	6.5
Expected life of option (years)	3	3	3	3
Option exercise price ($)	0.01	0.20	0.10	0.20
Share price at grant date ($)	0.040	0.040	0.03	0.085
Fair value ($)	0.0044	0.007	0.007	0.023

The expected price volatility is based on the historic volatility of the entity up to the grant date of the options as well as the historic volatility of a number of similar entities (based on a period with a similar life of the options). The fair value of the options granted excludes the impact of any non-market vesting conditions. There were no market conditions.

SHARES

During the year 21,625,000 ordinary shares were issued to key management personnel in lieu of cash payments for services. Refer note 13(f) for details of this issue.

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Options issued under ESOP	12,710	45,537	12,710	45,537
Other employee options	88,700	-	88,700	-
Share placement options	7,000	-	7,000	-
Issue of ordinary shares	151,375	-	151,375	-
	259,785	45,537	259,785	45,537

Directors' Declaration for the year ended 30 June 2009

In the Directors' opinion:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2009 required by section 295A of the *Corporations Act 2001*.

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

Mr Mel Bridges
Director
Date 22 September 2009

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

TO MEMBERS OF INCITIVE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Incitive Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Incitive Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to note 1(w) in the financial report which indicates that the consolidated entity incurred a loss of $1,253,785 (company loss of $1,198,865) during the year ended 30 June 2009. These conditions, along with other matters as set out in note 1(w), indicate the existence of a significant uncertainty which may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Incitive Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

JOHNSTON RORKE
Chartered Accountants

K Haiduk

K.A. HAIDUK
Partner

Brisbane, Queensland
22 September 2009

ASX Additional Information

The largest registered holders of each class of security as at 2 September 2009 were:

	Name	*Number of Shares*	*%*
1.	DECK CHAIR HOLDINGS PL	62,574,719	17.37
2.	MAHSOR HOLDINGS PL <ROSHAM FAMILY SUPER A/C>	51,523,438	14.30
3.	AZALEA FAMILY HOLDINGS PL <NO 2 A/C>	17,505,000	4.86
4.	CYGNET CAPITAL PL	17,300,000	4.80
5.	E-1 NOMINEES PL	15,122,800	4.20
6.	FENWAY INVESTMENTS PL BASES LOADED	13,000,000	3.61
7.	TRACEY MYNOTT	11,520,000	3.20
8.	MARK DAVIES	11,270,000	3.13
9.	SEASPIN PL <APHRODITE FUND A/C>	8,255,113	2.29
10.	KEMBLA NO 20 PL <CAA A/C>	8,000,000	2.22
11.	SHONA MARY SMITH	7,349,808	2.04
12.	CRONIN BARRY F + K A <HILLVIEW 52 SUPERFUND A/C>	7,300,000	2.03
13.	WILLIS SAMUEL J C + C M <WILLIS FAMILY SUPERFUND A/C>	6,685,113	1.86
14.	RONALD RUSSELL WILSON	5,800,000	1.61
15.	KEA HOLDINGS PL <IOS HOLDINGS A/C>	5,300,000	1.47
16.	ROBERT MURRAY RAYNES	5,255,113	1.46
17.	DANIEL THOMAS O'BRIEN <CAA A/C>	5,255,113	1.46
18.	WILSON RONALD RUSSELL <CAA A/C>	5,255,113	1.46
19.	BUZZ CAP PL <BEELEAF A/C>	5,255,113	1.46
20.	DONALD JEFFREY HOME	5,125,000	1.42
		274,651,443	76.25

Shares Range	*Holders*	*Units*	*%*
1 – 1,000			0.00
1,001 – 5,000	9	29,309	0.01
5,001 – 10,000	61	589,488	0.16
1000 – 100,000	165	7,697,415	2.14
100,001 –	107	351,871,802	97.69
Total	342	360,188,014	100.00

UNMARKETABLE PARCELS

There are 191 holders of unmarketable parcels comprising a total of 4,631,282 ordinary shares.

SUBSTANTIAL SHAREHOLDERS

On 28 July 2009 the Company received a Notice of Change of Interests Of Substantial Holder from Deck Chair Holdings Pty Ltd declaring an interest in 62,574,719 Shares representing 17.37% of the voting power of the Company.

On 6 July 2009 the Company received a Notice of Change of Interests Of Substantial Holder from Mahsor Holdings Pty Ltd declaring an interest in 55,793,438 representing 15.49% of the voting power of the Company.

RESTRICTED SECURITIES

The Company currently has no restricted securities on issue.

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