



**BENITEC LIMITED**

ABN 64 068 943 662

**PRELIMINARY FINAL REPORT**

(Appendix 4E)

**FOR THE YEAR ENDED**

**30 JUNE 2009**

**Results for announcement to the market  
For the Year Ended 30 June 2009**

	30 June 2009 \$000's	30 June 2008 \$000's	Percentage increase/ (decrease)
Revenue from continuing operations	362	560	(35.4)%
Net loss from ordinary activities after tax attributable to members	(2,471)	(2,775)	(11.0)%
Net loss for the period attributable to members	(2,471)	(2,775)	(11.0)%
	30 June 2009 Cents per share	30 June 2008 Cents per share	Percentage increase/ (decrease)
Earnings per share	(0.80)	(0.96)	(16.7)%
Net tangible asset backing per ordinary share	0.33	0.47	(29.8)%

No dividends were paid during the financial year and none are proposed to be paid.

The 2009 Annual Report is attached.

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the attached 2009 Annual Report for the year ended 30 June 2009.

Contact: Sue MacLeman  
Chief Executive Officer  
Benitec Limited  
Level 16, 356 Collins Street  
Melbourne Vic 3000  
Telephone: +61 (0)3 9859 9165  
Mobile: +61 (0)437 211 200  
Email: smacleman@benitec.com



**BENITEC LIMITED**

**ABN 64 068 943 662**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**

**30 JUNE 2009**

## **General Information**

### **Benitec Limited**

ABN 64 068 943 662

### **Directors**

Mr Peter Francis (Non-Executive Chairman)

Mr Mel Bridges (Non-Executive Director)

Ms Sue MacLeman (Managing Director and Chief Executive Officer)

### **Company Secretary**

Mr John Rawling

### **Registered Office**

Level 16

356 Collins Street

Melbourne Vic 3000

Australia

### **Auditors**

RSM Bird Cameron Partners

Level 8 Rialto South Tower

525 Collins Street

Melbourne Vic 3000

### **Bankers**

Westpac Banking Corporation

Business Banking

Level 8

360 Collins Street

Melbourne Vic 3000

### **Share Registry**

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

Melbourne Vic 3067

### **Stock Exchange Listing**

The Company is listed on the Australian Stock Exchange Limited

ASX Code: BLT

## BENITEC LIMITED – 2009 ANNUAL REPORT

### DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2009.

#### DIRECTORS

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

#### Names, qualifications experience and special responsibilities

##### Mr Peter Francis

**LLB, GRAD DIP (INTELLECTUAL PROPERTY)**

Non-Executive Chairman  
Appointed 23 February 2006

Mr. Peter Francis is a partner at Francis Abourizk Lightowlers (FAL), a firm of commercial and technology lawyers with offices in Melbourne, Australia. He is a legal specialist in the areas of intellectual property and licensing and provides legal advice to a large number of corporations and research bodies.

*Other Current Directorships of Listed Companies*

None.

*Former Directorships of Listed Companies in last three years*

Xceed Capital Limited.

##### Mr Mel Bridges

**BAPPSc, FAICD**

Non-Executive Director  
Appointed 12 October 2007

Mr Mel Bridges has more than 30 years experience in the global biotechnology and healthcare industry. During this period, he founded and managed successful diagnostics, biotechnology and medical device businesses. Mel is currently Chairman of a number of listed and unlisted companies. He also co-founded the listed company Panbio Ltd. Mel has extensive experience as a public company director and has been recently appointed to the board of Campbell Brothers Limited. Mel is also a Non-Executive Director of Tissue Therapies Limited and Genera Biosystems Limited.

The businesses that Mel has founded have won numerous awards including the Queensland Export Award, Australian Small Business of the Year, Queensland Top 400, BRW's Top 100 Fastest Growing Companies for seven consecutive years and The Australian Quality Award. Mel has won numerous awards for his achievements including the Ernst and Young 2002 Entrepreneur of the Year. In 2004 he was anointed the Queensland Entrepreneur of the Year, and in 2005 industry group AusBiotech awarded him the Chairman's Industry Gold Medal for contributions to the Australian biotech industry.

*Other Current Directorships of Listed Companies*

Alchemia Limited, Genera Biosystems Ltd, Impedimed Limited, Incitive Ltd, Tissue Therapies Ltd.

*Former Directorships of Listed Companies in last three years*

Peptech Limited, Arana Therapeutics Limited.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### **Ms Sue MacLeman**

**BPHARM, MMRKG, MLAW, FACPP,  
FAICD**

Chief Executive Officer and  
Managing Director  
Appointed 1 July 2007

Ms Sue MacLeman has extensive international senior management and leadership experience in product development and commercialization in the biotechnology and pharmaceutical sector. Sue graduated with a Bachelor of Pharmacy from the University of Queensland in 1984. In addition to pharmacy qualifications, Ms MacLeman has completed a Fellowship with the Australian College of Pharmacy Practice, a Masters of Marketing at Melbourne University (Melbourne Business School) a Masters of Commercial Law at Deakin University. She is also a Fellow of the Australian Institute of Company Directors.

In 1991 she joined the pharmaceutical industry with Schering Plough in the biotechnology business unit. She then went on to work with Amgen Inc and Bristol Myers Squibb Pharmaceuticals in the areas of medical, marketing, sales management and business development. In 2002 she took up the position of global Vice President for Agenix Ltd where she was responsible for the product development of the molecular clot imaging project. From 2004 to 2006 she was the CEO of a publicly listed biotechnology and investment company EQiTX Ltd. She joined Benitec Ltd as CEO in September 2006 and was appointed to the Board on 1 July 2007.

#### *Other Current Directorships of Listed Companies*

None.

#### *Former Directorships of Listed Companies in last three years*

None.

#### *Departing Directors*

### **Dr Ken Reed**

**BSc, MSc, PhD, FATSE**

Dr Reed was appointed a director on 19 May 2000 and resigned on 16 April 2009. He continues to be involved with the Company and is currently Chairman of the Scientific Advisory Board.

## **COMPANY SECRETARY**

### **Mr John Rawling**

**BCOM, DIPED, GRAD DIP APP CORP GOV,  
CA, ACIS**

Appointed 2 January 2007

Mr Rawling is a chartered accountant and chartered secretary with more than 20 years experience in the chartered accounting profession, statutory corporations and international and ASX listed companies. He was appointed as Company Secretary on 2 January 2007 and Chief Financial Officer on 13 April 2007. He is currently also Company Secretary and Chief Financial Officer of PolyNovo Biomaterials Pty Limited.

## **Interests in the shares and options of the company and related bodies corporate**

At the date of this report, the interest of the Directors in the shares and options of Benitec Limited were:

<u>Director</u>	<u>Number of Ordinary Shares</u>	<u>Number of Options over Ordinary Shares</u>
Mr Peter Francis	474,350	2,474,350
Mr Mel Bridges	200,000	1,333,333
Ms Sue MacLeman	-	6,000,000

# BENITEC LIMITED – 2009 ANNUAL REPORT

## CORPORATE INFORMATION

### Corporate Structure

Benitec Limited is a company limited by shares that is incorporated and domiciled in Australia. Benitec Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in note 12 of the financial statements.

### Principal Activities

Benitec is an RNAi-based therapeutics company using its proprietary DNA-directed RNA interference (ddRNAi) or vector expressed technology to develop therapies for the treatment of life threatening diseases with significant unmet need and commercial attractiveness. Benitec's primary therapeutic program focuses on human immunodeficiency virus (HIV) and Hepatitis B. The company's other projects are in the area of other infectious diseases, delivery options and cancer. Benitec also licenses its technology outside of its core in-house programs in order to generate revenue to support its corporate and operational activities.

The principal activity of the consolidated entity during the year was the management, funding and commercialisation of these projects. This also included patent prosecution and maintenance of the fully owned Benitec patent portfolio and key licensed technology.

### Employees

The consolidated entity employed 2 employees as at 30 June 2009 (2008: 5 employees).

## DIVIDENDS

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

## OPERATING AND FINANCIAL REVIEW

### Overview of Operations

The past financial year has been a challenging one for Benitec however we look towards a more successful 2009/2010 year particularly given the progress and success in the R&D program, progress made in patent prosecution and maintenance and future plans for further collaborations and licensing.

#### *R&D Progress*

In the last 12 months Benitec has maintained a high-level network of potential collaborators in the fields of gene therapy, gene silencing and RNAi research and development.

Key research relationships (formal and informal) currently exist with the following groups in the areas of target identification and delivery technology:

- ▶ Division of Molecular Biology: City of Hope (Duarte, California USA);
- ▶ Gene & Stem Cell Therapy Group: Centenary Institute of Cancer Medicine and Cell Biology (NSW Australia);
- ▶ Gene Therapy Research Unit: Children's Medical Research Institute & Westmead Children's Hospital (NSW Australia);
- ▶ Centre for Reproduction and Development: Monash Institute of Medical Research (Victoria Australia); and
- ▶ Biomics Biotechnology Nantong, China.

#### ▪ *City of Hope HIV Stem cell Project*

In 2008 the estimated number of people living with HIV had increased to approximately 40 million. In the same year there were approximately 3 million deaths due to AIDS and 4.5 million new HIV infections. Of these cases in 2008 approximately 2.15 million people with HIV lived in the US and Western and Central Europe.

The HIV/AIDS market is currently valued at \$6.8 billion and is projected to grow to at least \$10 billion by 2014. Although current treatment regimens may slow the replication rate of the HIV virus they are not curative, and the emergence of drug resistant HIV virus continues to be a major clinical problem.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Overview of Operations (continued)

The Pilot Study of the Safety and Feasibility of Stem Cell Therapy for AIDS Lymphoma using Stem Cells Treated with a Lentiviral Vector-encoding Multiple anti-HIV RNA's is fully recruited and patient monitoring is ongoing at the City of Hope in Duarte, California. This is an important study as it is the first human clinical trial using lentiviral vector transduction of haematopoietic stem cells (HSCs). It is also the first human trial with expressed RNA interference trigger (shRNA) and the first triple gene therapy combination trial for HIV/AIDS.

This project represents Benitec's first clinical activity in the field of RNAi therapeutics. The primary objective of the study was to determine the safety and feasibility of treating AIDS patients with an antiviral construct in conjunction with autologous haematopoietic stem cell transplantation for intermediate to high-grade AIDS-related lymphoma.

The rHIV7-shI-TAR-CCR5RZ construct used in the study contained three distinct antiviral agents, namely;

- i. a ribozyme against mRNA for the HIV-1 receptor protein CCR5 (CCR5RZ);
- ii. a TAR RNA decoy (to sequester HIV-1 Tat protein); and
- iii. a ddRNAi molecule targeted to the common HIV Tat / Rev exon (shI).

Data from the human pilot HIV Lymphoma stem cell study has been presented by Dr John Rossi at the Cambridge Healthtech Institute's RNAi for Therapeutics Conference in Boston in October 2008. Dr Amrita Krishnan presented the early gene marker results at the American Society of Hematology Conference in San Francisco in December 2008. Dr David DiGiusto presented at the Stem Cell World Congress in Palm Springs in January 2009 and Dr John Zaia at the International Society of Cell Therapy in San Diego in May 2009.

The interim results of this study were very encouraging with safety and feasibility being confirmed. With respect to safety there were no infusion-related adverse events related to the research treatment with all patients still alive. Engraftment was seen in all patients by day 11. Gene marking and siRNA expression in PBMC and PBGC was seen as expected and longer-term follow-up continues. The investigators have submitted the results of this study including further results to a major scientific publication and expect this to be published later this year.

Due to the success seen in the initial pilot study planning is well advanced for the next human study expected to commence in late 2010 after manufacture of clinical trial material and further process development work. Benitec expects to trigger the option to a license agreement it has on this program in Q4 2009 and will continue development in collaboration with the City of Hope.

#### ▪ *T cell Programme*

Benitec is also involved in a collaboration with the City of Hope for a T cell HIV/AIDS project. This consortium program involves five collaborative partners, namely:

- i. Beckman Research Institute, COH (BRICOH, Duarte CA);
- ii. Colorado State University (CSU, Fort Collins, CO);
- iii. Fred Hutchinson Cancer Research Centre (FHCRC/WU, Seattle WA);
- iv. International Therapeutics Inc (ITI, Seattle, WA); and
- v. University of Pennsylvania (UPENN, Philadelphia, PA).

This program is a multi-project effort centred at COH to investigate HIV-based vector delivery of anti-HIV RNA (initially pHIV7-shI-TAR-CCR5RZ) to CD4+ peripheral blood T-cells (as opposed to the CD34+ stem cells targeted in the clinical pilot study above) as a clinical modality.

The IPCP Program is funded by a US\$7 million National Institutes of Health (USA) grant awarded specifically to fund development of this vector (pHIV7-shI-TAR-CCR5RZ). This funding concluded in July 2009. The Investigational New Drug application (IND) is expected to be submitted later this year and the human clinical trial to commence soon after.

#### ▪ *Hepatitis B Collaboration with Biomics Biotechnology*

In June 2009 Benitec announced it had signed a Memorandum of Understanding with China based company Biomics Biotechnology. Both companies have entered into a collaboration focussed on identifying and validating a lead-target for RNAi treatment of chronic Hepatitis B infection (HBV). Initially the research plan will focus on lead-target identification through screening of a library produced by Biomics, followed by a series of *in vitro* analyses to comparatively validate the chosen target sequences for efficacy as therapeutic targets in an anti-viral treatment strategy. Once the initial *in vitro* studies are completed, the lead RNAi-therapeutic candidate(s) will progress through more extensive pre-clinical studies in anticipation of Phase I human clinical trials. It has been agreed that both companies will jointly share in any intellectual property developed through the project, and will also jointly collaborate in any future product development and commercialisation.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Overview of Operations (continued)

Hepatitis is a general term meaning ‘inflammation of the liver’ and can be caused by a variety of different viruses including hepatitis A, B, C, D and E. Of the many viral causes of human hepatitis, few are of greater global importance than Hepatitis B virus (HBV). HBV is a serious and common infectious disease of the liver, affecting millions of people throughout the world.

More than 2,000 million people alive today have been infected with HBV at some time in their lives and of these about 350 million remain chronically infected and become carriers of the virus. In the USA alone there are over 1.25 million people living with the consequences of chronic active HBV, and over 60,000 new cases per year.

The severe pathological consequences of persistent HBV infections include the development of chronic hepatic insufficiency, cirrhosis, and hepatocellular carcinoma. In addition, HBV carriers can transmit the disease for many years. Persons with chronic HBV infection have a 12 to 300 times higher risk of developing hepatocellular carcinoma than non-carriers and globally HBV causes 60-80% of the world’s primary liver cancers.

Treatment of chronic HBV is aimed at eliminating infectivity to prevent transmission and spread of HBV and minimising the overall progression of liver disease.

There are two main classes of treatment:

- i. antiviral drugs aimed at suppressing or eliminating HBV by interfering with viral replication (this is the class of treatment into which an RNAi therapeutic would be included); and
- ii. immune modulators aimed at helping the human immune system to mount a defence against the virus.

Current therapies for chronic HBV infection have only limited inhibitory effects on viral gene expression and replication in the majority of chronically infected patients. The application of ddRNAi technology has the potential to directly target the activity of HBV genes with minimum off-target events and offers a unique opportunity to address the unmet clinical treatment needs for HBV.

#### ▪ *Internal Programme*

In addition to the above projects, the internal Benitec programme is expected to be expanded pending the raising of further capital.

#### *Patent Activities*

##### ▪ *Patent Reexamination - USA*

One of the key issues for the Company is the ongoing patent reexamination in the US. Nucleonics initiated a third party Reexamination at the U.S. Patent and Trademark Office (“USPTO”) on 4 October 2004, providing the USPTO with art it asserted invalidated U.S. Patent No. 6,573,099 (“’099 Patent”). The USPTO rejected the claims based on the provided art. Benitec successfully overcame the references, and the USPTO withdrew all rejections but instituted new rejections on additional art it had uncovered. Benitec then filed a response, which it believed overcame the rejections of Record. Nucleonics then requested a second Reexamination, adding art it asserted invalidated the ‘099 Patent. The USPTO merged the two Reexaminations and sent out an Office Action completely withdrawing most of the earlier rejections it made, modifying other rejections, and adding rejections based on the art Nucleonics provided in its second Reexamination request.

Benitec reviewed this new material and believed it did not raise any issues that would preclude patentability of the invention disclosed in the ‘099 Patent. Benitec also believed it had strong arguments for overcoming the art of record. Benitec responded to the rejections found in the merged Reexaminations in April 2007. During an interview with the Examiner in early July 2007, the Company had the opportunity to discuss confusing aspects of the evidence antedating the Fire patent and removing it as prior art.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Overview of Operations (continued)

On 15 August 2007, Nucleonics' counsel filed a third-party submission to enter an Examination Report from the European Patent Office for a patent application claiming priority to the '099 Patent under re-examination. Benitec considered this submission to be improper and to have the potential to confuse the issues involved in the '099 Patent Reexamination. Consequently, Benitec has confronted the issue directly and submitted a request to preclude entry of the improper material.

In April 2008 a non final office action was issued by the USPTO in response to Benitec's response filed in April 2007. Benitec filed a response to this non final office action on 11 July 2008. In November 2008 a Final Office action was issued by the Examiner at the USPTO. During early 2009 various meetings and submissions were made with and to the Examiner to better understand this rejection. CSIRO and Benitec believes that these rejections are unsupported by the evidence and the controlling law. On 22 May 2009, a Notice of Appeal was filed with the USPTO. As part of this appeal process, an Appeal Brief was filed in late July 2009. This detailed Appeals Brief focused on the obviousness rejections put forward by the Examiner and argued that these rejections are unsupported by the evidence and the controlling law. It addressed all outstanding issues.

The USPTO will now review this brief. In the normal course of events, the Examiner has an opportunity to file an Examiner's Answer which is expected later this year. Benitec and CSIRO would then file a Reply to the Examiner's Answer and the reexamination will then proceed to an oral hearing before the Appeals Board. Due to the backlog at the USPTO, this is not expected until Q2 2010 with a decision likely in the following quarter.

- *Other Patent Matters*

- Benitec fully owned applications/patents*

The Benitec fully owned portfolio over the last 12 months has grown from 51 pending applications and granted patents to 53. Allowance or grant of applications has been achieved for 5 applications in Australia (AU2004243347), New Zealand (NZ550284 and NZ543815), South Africa (2005/09813) and Singapore (200507474-5). Allowance of NZ543815 was achieved in July 2008, and was already noted in last year's report. Of these, 4 of them are for the important "Double-stranded nucleic acid" patent family directed to constructs for therapeutic and related applications of RNA interference.

6 new applications have been filed during the last 12 months. 3 of these have been divisional applications in Australia and New Zealand in light of the allowance of the corresponding parent applications. Two new applications have been filed in Hong Kong, and a continuation has been filed in the US. In addition, Benitec has been recorded as a co-owner of a pending US patent application with Stanford University.

Three applications have been allowed to lapse in the US and one in New Zealand, although the New Zealand application and one of the US applications was re-filed as a divisional and continuation application respectively.

- CSIRO owned, Benitec licensed patent portfolio*

The portfolio over the last 12 months has seen allowance or grant of 6 applications including 3 applications in Australia, 2 in Japan and one application in Singapore. The Singaporean patent, and one of the Australian patents, is directed to RNA interference constructs for therapeutic and related applications of RNA interference in animals and cells.

New applications have been filed in Australia and Japan.

A number of US applications have been allowed to lapse, but with the intention of pursuing their subject matter in continuation applications to be filed in due course.

As per the August 2006 agreements, CSIRO had the right to request assignment of Benitec's share of ownership of the '099 patent. CSIRO exercised this right earlier this year and Benitec therefore assigned its share of ownership to CSIRO. The assignment does not impact upon the commercial rights under the 2006 Agreements with CSIRO, with Benitec retaining its exclusive world wide licence for human applications. Benitec and CSIRO entered into a number of agreements to allow this transition to occur. Benitec will continue to be responsible for some Relevant patent costs after sublicensee fees are applied and will also be responsible for the ongoing costs of the Patent Reexamination and Appeal.

A list of patents is included in page 58 of this report.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Overview of Operations (continued)

#### *CSIRO Negotiations*

In 2007, Benitec approached CSIRO with an equity offer to be provided in exchange for removal of the Capital Growth Agreement and benefit-sharing terms of the Commercial Agreement. The aim was to renegotiate the terms with CSIRO in a way that would benefit both parties. In early 2009 Benitec formally withdrew from these negotiations due to market conditions. The delays in these negotiations and the subsequent withdrawal from these negotiations contributed to a decline in the Company's share price and we understand that this has distressed many shareholders.

CSIRO and Benitec are strong partners with aligned interests and once the financial markets have improved Benitec may seek to revisit these negotiations with CSIRO. In the interim, we will focus on rebuilding shareholder value and, together with CSIRO, continue to prosecute our important intellectual property (IP) assets and the commercialisation of this important IP in the dynamic and attractive RNAi market sector. The Capital Growth Agreement expires in December 2010.

#### *Capital Raising*

In May 2008, Benitec announced a proposed fully underwritten non-renounceable rights issue to raise approximately \$5.1 million before costs. Unfortunately the rights issue was subsequently suspended after feedback from the market and the underwriter that the CSIRO Agreements needed adjustment before further significant investment or merger and acquisition transactions could be transacted in the market.

The global financial crisis hit hardest in late 2008 and this resulted in further delays in the planned capital raising and the need to dramatically reduce costs including the closure of the Head office in Hawthorn East, the delay in the planned scientific programs and the termination of various staff contracts.

Benitec raised \$1 million in a share placement, resulting in the issue of 22,244,444 ordinary shares at \$0.45 per share plus an equivalent number of unlisted options with an exercise price of \$0.10, with our major shareholder in November 2008 and February 2009.

The proposed rights issue was reactivated in 2009 and successfully raised \$1.4 million in this financial year. This raising was completed at a lower price than previously planned due to the delays and the global economic crisis although we recognise that many shareholders are concerned about dilution. Benitec however, like many in the Biotechnology sector, needed to raise capital to survive. Whilst the amount raised was lower than the amount planned, the ongoing support of our shareholders is very much appreciated. A future capital raising will be required to support activities.

### Financial Overview

Benitec's net loss for the year ended 30 June 2009 was \$2,470,671 compared to a net loss of \$2,774,690 for the previous financial year.

Operating revenue for the 12 months to 30 June 2009 was \$311,476, down from \$482,969 in the previous financial year due to a fall in interest income which resulted from both the fall in interest rates and lower cash balances during the year. Other income during the year was \$50,091, compared to \$76,725 in the previous financial year.

Operating expenses for the financial year were \$2,925,568 down from \$3,334,384 in the previous year. All expense categories showed significant reductions following the major cost reduction programme implemented in late 2008 except for research and development costs, which increased due to a significantly increased patent costs during the year covering both Benitec and CSIRO owned patents. Employment related costs decreased by 22% due to the termination of various staff contracts as part of the cost reduction programme.

Benitec's current assets balance at 30 June 2009 was \$1,989,166 (2008: \$2,006,210), with current liabilities of \$501,429 (2008: \$662,193). Net tangible assets have remained at 0.3 cents per share.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Cash Flows

The cash flows of the Company consist of: licensing of the Company's technology, payments to employees and suppliers in order to conduct product development and co-investment and /or licensing collaborations to exploit the Gene Silencing intellectual property portfolio; and the maintenance of the small corporate structure, which manages existing activities as well as seeking out and investigating new opportunities.

### CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year under review, the Company raised \$2,107,207, net of costs, to provide funding for the ongoing operations, and to support the evaluation of other project opportunities.

#### Ordinary Shares

There were three share issues during the financial year. The details are:

- 9,022,222 ordinary shares issued to Dr Christopher Bremner as a share placement in November 2008 at a price of \$0.045 per share;
- 13,222,222 ordinary shares issued to Dr Christopher Bremner as a further share placement in February 2009 at a price of \$0.045 per share following shareholder approval; and
- 38,300,907 ordinary shares issued in May 2009 at a price of \$0.03 per share pursuant to a non-renounceable rights issue.

#### Options

At the date of this Directors' Report, the Company has a total of 146,872,913 options to acquire ordinary shares in the Company. Unless otherwise noted, all options are unlisted, restricted and are categorised as follows:

Type	Number
Listed Options (BLTOA)	56,081,915
Listed Options (BLTO)	46,673,907
Employee Share Option Plan	8,808,334
NED Options	4,666,666
Directors' Options	1,953,125
Strategic Advisor Warrants	6,426,962
Unlisted Options	22,244,444
Other	17,560
Total	146,872,913

#### Listed Options

38,300,907 Listed Options were issued in May 2009 as part of the rights issue. These options have the right to acquire one ordinary share at \$0.10 with an expiry date of 8 April 2014. A further 8,373,000 Listed Options were issued in July 2009.

#### Employees Share Option Plan (ESOP)

Employee Options are regulated by the Plan which has been previously announced. In summary, all options falling under the ESOP expire on the dates set out below. Options held by any employee who resigned earlier will expire on a time determined by the Board or otherwise in six months. The Board has the power to adjust, amend and cancel the ESOP. Non-Executive Directors are currently excluded from the ESOP.

Grant Date	Expiry Date	Exercise Price	Number
29 July 2002	28 July 2009	\$0.50	100,000
29 July 2002	28 July 2009	\$1.00	100,000
29 July 2002	28 July 2009	\$1.50	150,000
29 July 2002	28 July 2009	\$2.00	150,000
4 September 2006	4 September 2011	\$0.0224	3,000,000
14 December 2006	14 December 2011	\$0.0599	1,000,000
21 February 2008	8 October 2012	\$0.114	1,000,000
21 February 2008	31 December 2012	\$0.115	3,308,334
<b>Total</b>			<b>8,808,334</b>

## BENITEC LIMITED – 2009 ANNUAL REPORT

### CAPITAL RAISINGS / CAPITAL STRUCTURE (continued)

#### *Options (continued)*

The following ESOP options lapsed during the financial year:

<b>Original Expiry Date</b>	<b>Exercise Price</b>	<b>No. Lapsed</b>
20 November 2011	\$0.0626	250,000
1 July 2012	\$0.1255	125,000
31 December 2012	\$0.115	16,666
<b>Total</b>		<b>391,666</b>

The lapsed options represent ESOP options issued to employees who departed the Company during the financial year. Under the terms and conditions of the ESOP, ESOP options automatically lapse if they are not exercised within a period of up to six months from cessation of employment. The lapsed options represent options which had not vested at the time of departure or were not exercised subsequently after that period.

#### *NED Options*

A total of 5,999,999 NED Options were granted by shareholders to the Non-Executive Directors at the Company's 2007 Annual General Meeting. 1,333,333 NED Options lapsed upon the resignation of a Director in February 2008, leaving a total of 4,666,666 NED Options currently on issue.

#### *Strategic Advisor Warrants*

A total of 300,000 Strategic Advisor Warrants were approved for issue by the Board in April 2009, bringing the total to 6,426,962. At reporting date, the advisor has yet to formally apply for these warrants.

#### *Other Options*

A total of 13,222,222 unlisted Options were issued to Dr Chris Bremner as part of the two share placements in November 2008 and February 2009.

The balance of Directors' Options and Other Options were issued during the period when Benitec conducted its operations in the US.

#### **Summary of Shares, Options and Warrants on Issue – 30 June 2009**

As a result of the issue of shares and options, the Company had 352,500,230 listed ordinary shares and 94,382,822 listed options on issue at reporting date. There are also 37,190,129 unlisted options and 6,426,962 warrants on issue, full details of which are included in note 16 to the financial statements.

#### *Unissued Shares*

As at the date of this report, there were 146,372,913 unissued ordinary shares (138,499,913 at the reporting date). Refer to note 16 of the financial statements for further details of 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 or in the interest issue of any other registered scheme.

#### *Shares issued as a result of the exercise of Options*

During the year no shares were issued on the exercise of options issued by the Company (2008: nil).

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During the year, there were no significant changes in the Company's state of affairs.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

The Company has signed a Memorandum of Understanding with China based Biomics Biotechnologies Co. Ltd. The companies will collaborate on a DNA directed or vector expressed RNAi for the treatment of chronic hepatitis B virus (HBV) infection.

The Company appointed a new Chief Scientific Officer, Dr Peter French, on 3 August 2009.

No other matters or circumstances have arisen since 30 June 2009 which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board of Directors intends to raise further capital to support ongoing operations. The team will also move to further develop the HIV stem cell and T-cell projects with our collaborators at the City of Hope and also collaborate on new projects through co-investment in infectious disease and cancer. The company will also be exploring in- and out-licensing opportunities in the human therapeutic area. The company will continue to work closely with the company's patent attorneys and CSIRO on the patent re-exam in the USA.

Further information on likely developments in the operations of the consolidated entity has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. As Benitec Limited is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Benitec Limited's securities.

### ENVIRONMENTAL REGULATION

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

### MEETINGS OF DIRECTORS

The number of meetings of the Directors held during the year and the number of meetings attended by each director was as follows:

	Board of Directors		Risk & Audit Committee	
	Attended	Held	Attended	Held
<i>Current Directors</i>				
Peter Francis	7	7	2	2
Mel Bridges	6	7	2	2
Ken Reed*	5	6	-	-
Sue MacLeman	7	7	2	2

\* Ken Reed resigned as a Director on 16 April 2009.

### Committee membership

Due to the small number of Directors, it was determined that the Board would undertake all of the duties of a properly constituted Remuneration and Nomination Committee.

The Risk and Audit Committee was formed following the appointment of Mr Bridges and met twice during the financial year.

## **BENITEC LIMITED – 2009 ANNUAL REPORT**

### **REMUNERATION REPORT**

This report details the nature and amount of remuneration for each director of the Company, and for the executives receiving the highest remuneration.

The information provided in the Remuneration Report has been audited as required by s308(3c) of the Corporations Act 2001.

#### **Remuneration Philosophy**

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives based on key performance areas. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives, and shareholders.

The Board is responsible for determining the appropriate remuneration package for the CEO, and the CEO is in turn responsible for determining the appropriate remuneration packages for senior management.

All executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Board reviews the CEO's remuneration package, and the CEO reviews the other senior executives' remuneration packages, annually by reference to the economic entity's performance, executive performance, and comparable information within the industry.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can recommend changes to the CEO's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are entitled to participate in the Employee Share Option Plan.

Any Australian executives or directors receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment, and responsibilities. The Board as a whole determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties, and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

#### **Performance Based Remuneration**

As part of each executive's remuneration package there is a performance-based component. The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. Generally, the executive's performance based remuneration is tied to the Company's successful achievement of certain key milestones as relates to its operating activities, as well as the Company's overall financial position.

#### **Company Performance, Shareholder Wealth, and Directors' and Executives' Remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders, directors, and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on achievement of key corporate milestones, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Details of Remuneration for Year Ended 30 June 2009

**Table 1. Non-Executive Director Remuneration for the year ended 30 June 2009**

		Short Term			Post Employment		Equity	Total	% of remuneration consisting of options
		Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Options		
		\$	\$	\$	\$	\$	\$	\$	
Peter Francis	2009	60,000	-	-	-	-	26,747	86,747	30.8%
	2008	53,750	-	-	-	-	18,536	72,286	25.6%
Mel Bridges	2009	55,000	-	-	-	-	17,831	72,831	24.5%
	2008	38,843	-	-	-	-	12,359	51,202	24.1%
Ken Reed	2009	42,049	-	-	3,784	-	17,831	63,664	28.0%
	2008	44,828	-	-	4,034	-	12,359	61,221	20.2%

There was no performance related remuneration payable to non-executive directors during the year.

**Table 2. Remuneration of the Executive Director and other key management personnel who receive the highest remuneration for the year ended 30 June 2009**

		Short Term			Post Employment		Equity	Total	% of remuneration consisting of options
		Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Options		
		\$	\$	\$	\$	\$	\$	\$	
Sue MacLeman (1)	2009	288,242	90,000	-	21,095	-	70,400	469,737	15.0%
	2008	275,229	70,000	-	24,771	-	111,847	481,847	23.2%
John Rawling (2)	2009	118,486	9,174	-	11,489	-	10,460	149,609	7.0%
	2008	113,532	8,000	-	14,968	-	18,782	155,282	10.8%
Jason Smythe (3)	2009	100,412	-	-	5,727	10,531	6,200	122,870	5.0%
	2008	129,449	-	-	9,609	-	55,800	194,858	28.6%

(1) Ms MacLeman was appointed Chief Executive Officer on 4 September 2006 and became a Director on 1 July 2007.

(2) Mr Rawling was appointed Company Secretary on 2 January 2007 and Chief Financial Officer on 13 April 2007.

(3) Dr Smythe was appointed Chief Scientific Officer on 8 October 2007 and left the Company on 30 November 2008.

### Options Issued as Part of Remuneration for the Year Ended 30 June 2009

Options can be issued to executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the executives of the Company to increase goal congruence between executives, directors, and shareholders. During the year ended 30 June 2009, no options (2008: 4,325,000) were granted to employees under the terms of their employment agreements nor were any options issued to directors as part of their remuneration.

## **BENITEC LIMITED – 2009 ANNUAL REPORT**

### **Payments to Related Parties of Directors**

Legal services at normal commercial rates totalling \$134,355 (2008: \$192,560) were provided by Francis Abourizk Lightowlers, a law firm in which Mr Peter Francis is a partner and has a beneficial interest.

### **Employment Contracts**

The employment conditions of Ms Sue MacLeman, the Managing Director, are formalised in a contract of employment. The current employment contract commenced on 4 September 2006 upon her appointment as Chief Executive Officer. Ms MacLeman's appointment with the Company may be terminated with the Company giving 6 months notice or by Ms MacLeman giving 2 months notice. The Company may elect to pay Ms MacLeman an equal amount to that proportion of her salary equivalent to 6 months pay in lieu of notice, together with any outstanding entitlements due to her. The Company may, at any time, by notice in writing terminate Ms MacLeman's contract immediately in the event of serious misconduct. If during the period of employment, there is an acquisition of a beneficial ownership of greater than 50% of the capital of the Company, Ms MacLeman will receive the equivalent of 12 months' salary as a bonus where the market value of the Company is greater than or equal to \$75 million as determined by the greater of the last sale price on the day the change of ownership occurred or the final price paid by the acquirer of the beneficial interest resulting in the change of ownership, or the equivalent of 6 months' salary as a bonus, where the market value of the Company is less than \$75 million but greater than or equal to \$50 million as determined by the greater of the last sale price on the day the change of ownership occurred or the final price paid by the acquirer of the beneficial interest resulting in the change of ownership. If there is a beneficial disposal by the Company during the period of employment, Ms MacLeman will receive where the sale value is greater than \$20 million, but less than \$40 million, a bonus equivalent to 3 months' salary, where the sale value is greater than \$40 million, but less than \$75 million, a bonus equivalent to 6 months' salary; or where the sale value is greater than \$75 million, a bonus equivalent to 12 months' salary.

The employment conditions of Mr John Rawling, the part time CFO and Company Secretary, are formalised in a contract of employment. The current employment contract with the CFO commenced on 12 March 2007. Mr Rawling's appointment with the Company may be terminated with the Company giving 2 month's notice or by Mr Rawling giving 2 month's notice. The Company may elect to pay Mr Rawling an equal amount to that proportion of his salary equivalent to 2 month's pay in lieu of notice, together with any outstanding entitlements due to him. The Company may, at any time, by notice in writing terminate Mr Rawling's contract immediately in the event of serious misconduct.

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has entered into Deeds of Indemnity with the Directors, the Chief Executive Officer and the Company Secretary, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of a contract insuring the Directors and Officers of the Company. Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure.

### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Benitec Limited adhere to strict principles of corporate governance. The Company's corporate governance statement is included on page 18 of this annual report.

## **BENITEC LIMITED – 2009 ANNUAL REPORT**

### **AUDITOR INDEPENDENCE**

The directors received the declaration included on page 17 of this annual report from the auditor of Benitec Limited.

### **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

### **NON-AUDIT SERVICES**

There were no non-audit services provided by external auditors during the year ended 30 June 2009.

This report has been made in accordance with a resolution of the Directors.

A handwritten signature in black ink, consisting of a large, stylized initial 'P' followed by a long horizontal stroke.

**Peter Francis**  
Chairman  
Melbourne, Victoria  
28 August 2009

# RSM Bird Cameron Partners

Chartered Accountants

Level 8 Rialto South Tower  
525 Collins Street Melbourne VIC 3000  
PO Box 248 Collins Street West VIC 8007  
T +61 3 9286 1800 F +61 3 9286 1999  
www.rsmi.com.au

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Benitec Limited for the financial year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.



RSM BIRD CAMERON PARTNERS  
Chartered Accountants



R B MIANO  
Partner

Melbourne  
28 August 2009

## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors is responsible for establishing the corporate governance framework of the Group. The Board guides and monitors the business and affairs of Benitec Limited on behalf of its shareholders by whom they are elected and to whom they are accountable.

The Company's corporate governance reflects the ASX Corporate Governance Council's principles and recommendations. The following commentary summarises the Company's compliance with the ASX Corporate Governance Council's recommendations.

### **PRINCIPLE 1 Lay solid foundations for management and oversight**

The Board has adopted a formal charter that sets out their responsibilities. This charter is posted on the Company's website [www.benitec.com](http://www.benitec.com). The Board sets objectives, goals and strategic direction along with a policy framework which management then works within to manage day-to-day business. The Board monitors this on a regular basis. There is clear segregation between the Board and management. Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.

Senior executives are subject to a formal performance review process on an annual basis. The focus of the performance review is to set specific objectives, and monitor performance against them for each executive, that are aligned with the Company's business objectives. An annual review of the performance of each senior executive was conducted in accordance with this process during the year.

### **PRINCIPLE 2 Structure the Board to add value**

Details on the Board members and their qualifications are included in the Directors' Report. The Board has a policy of maintaining a majority of independent directors. The current Board composition is two independent Non-Executive Directors (NEDs) and one Executive Director. The Board has resolved that a majority of the members of each Board committee should be NEDs. The Board has approved that, where necessary, NEDs should meet during the year in absence of management at such times as they determine necessary.

Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board assesses director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors. In the context of director independence, to be considered independent a NED may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has, or has the potential to, impair or inhibit a Director's exercise of judgement on behalf of the Company and its shareholders.

The Board has concluded that all NEDs are independent. In reaching this conclusion, the Board considered that:

- Mr Francis, the Non-Executive Chairman, is a principal of Francis Abourizk Lightowlers, a material professional adviser to the Company. Notwithstanding this association, the Board is satisfied that it will not interfere with the independent exercise of his judgment.
- Mr Bridges does not have any previous association with the Company or any other relationships that is relevant to his independence.

The Board continually assesses its membership and makes appointments to complement and enhance the existing skill base of the Board. The Board has established a Remuneration and Nominations Committee comprising of all non-executive directors. Formal letters of appointment are used for all new NEDs.

The Company's Constitution provides that:

- the maximum number of Directors shall be ten unless amended by a resolution at a General Meeting of Shareholders;
- one third of the Directors (excluding the Managing Director and rounded down) must retire from office at the Annual General Meeting (AGM) each year; such retiring Directors are eligible for re-election;
- Directors appointed to fill casual vacancies must submit to election at the next general meeting; and
- the number of Directors necessary to constitute a quorum is not less than two Directors currently in office.

The duties of a nomination committee have been assumed by the Board due to the size and scale of the Company.

## BENITEC LIMITED – 2009 ANNUAL REPORT

The Board carries out a Board performance assessment on an annual basis. In June 2008, the Board undertook the most recent review of its performance and that of its committees and individual Directors. This involved a self assessment process which required the completion and evaluation of detailed questionnaires on business and management matters. The results of this review were independently collated and analysed by the Board. The next review is scheduled to take place during the current half year.

### **PRINCIPLE 3 Promote ethical and responsible decision-making**

The Board and management ensure that the business processes of Benitec Limited are conducted according to sound ethical principles. The Board has established a formal Code of Conduct in this regard. This code is posted on the Company's website.

All Directors and employees of the Company are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

All Directors and employees of the Company are made aware of their obligations under the *Corporations Act 2001* with regard to trading in the securities of the Company. In addition, the Company has adopted a Share Trading Policy, which is reviewed and updated on a regular basis as required. This policy is posted on the Company's website.

Board members who have or may have a conflict of interest in any activity of the Company or with regard to any decision before the Board, notify the Board of such and a decision is made as to whether the Board member concerned is to be excluded from making decisions that relates to the particular matter. The Company's constitution allows a Director to enter into any contract with the Company other than that of auditor for the Company, subject to the law.

The Board has determined that Directors are able to seek independent professional advice for Company related matters at the Company's expense, subject to the instruction and estimated cost being approved by the Chairman in advance as being respectively necessary and reasonable.

### **PRINCIPLE 4 Safeguard integrity in financial reporting**

The Board has established a Risk and Audit Committee which meets at least twice through the year. Its members are the independent Australian-based NEDs, Mel Bridges (who chairs the Committee) and Peter Francis.

The members of the Committee have significant financial, business and legal backgrounds, expertise and qualifications, full particulars of which are contained in this annual report, as are details of meetings of this Committee.

The Committee is responsible for the appointment of the Company's auditors and has a formal charter, which is posted on the Company's website. The charter is reviewed annually to ensure that it is in line with emerging market practices which are in the best interests of shareholders.

The main objective of the Committee is to assist the Board in reviewing any matters of significance affecting financial reporting and compliance of the economic entity including:

- exercising oversight of the accuracy and completeness of the financial statements;
- making informed decisions regarding accounting and compliance policies, practices, and disclosures;
- reviewing the scope and results of operational risk reviews, compliance reviews, and external audits; and
- assessing the adequacy of the economic entity's internal control framework including accounting, compliance, and operational risk management controls based on information provided or obtained.

"Compliance" refers to compliance with laws and regulations, internal compliance guidelines, policies and procedures, and other prescribed internal standards of behaviour.

All other directors and the Chief Financial Officer are invited to attend Committee meetings. When the auditors are present at meetings, the Committee asks all executives to leave the meeting so that there can be open and frank communication between the Committee and the auditor.

The Committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility.

The Committee also considers the independence of the auditor. The Company requires that the audit partner be rotated every five years and, on an annual basis, the auditor provides a certificate to the Committee confirming their independence.

## BENITEC LIMITED – 2009 ANNUAL REPORT

The Chief Executive Officer and Chief Financial Officer have certified to the committee that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

### **PRINCIPLE 5 Make timely and balanced disclosure**

The Board is committed to inform its shareholders and the market of any major events that influence the Company in a timely and conscientious manner. The Board is responsible for ensuring that the Company complies with the continuous disclosure requirements as set out in ASX Listing Rule 3.1 and the *Corporations Act 2001*. The Company's Communication Protocols have been posted on the Company's website.

Any market sensitive information is discussed by the Board before it is approved to be released to the market.

The Company's procedure is to lodge the information with the ASX and make it available on the Company's website shortly thereafter.

All executives of the Company have been made aware of the Company's obligations with regard to the continuous disclosure regime.

### **PRINCIPLE 6 Respect the rights of shareholders**

The Board ensures that its shareholders are fully informed of matters likely to be of interest to them. The Company provides all obligatory information such as annual reports, half yearly reports and other ASX required reports in accordance with the law and regulations.

Notices of shareholders meetings, annual and extraordinary, are distributed in a timely manner and are accompanied by all information that the Company has obtained.

The Company is always available to be contacted by shareholders for any query that the shareholders may have. The queries can be submitted by telephone, email or fax to the Company's office.

The chairman encourages questions and comments at the AGM ensuring that shareholders have a chance to obtain direct response from the CEO and other appropriate Board members. The Company requests that the auditors attend the AGM and are available to answer any questions with regard to the conduct of the audit and their report.

### **PRINCIPLE 7 Recognise and manage risk**

The Directors continually monitor areas of significant business risk, recognising that there are inherent risks associated with the management, funding and commercialisation of biotechnology projects.

The Board has delegated the responsibility for the establishment and maintenance of a framework for risk oversight and the management of risk for the Group to the Risk and Audit Committee.

The Committee's role is to provide a direct link between the Board and the external function of the Company. This includes:

- Monitoring corporate risk assessment and the internal controls instituted;
- Monitoring the establishment of an appropriate internal control framework, including information systems, and considering enhancements;
- Reviewing reports on any defalcations, frauds and thefts from the Company and action taken by managements;
- Reviewing policies to avoided conflicts of interest between the Company and members of management; and
- Considering the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.

The Chief Executive Officer and Chief Financial Officer have made representations to the Committee on the system of risk management and internal compliance and control which implements the policies adopted by the Board. The Chief Executive Officer and Chief Financial Officer have also represented that, to the best of their knowledge, the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## **BENITEC LIMITED – 2009 ANNUAL REPORT**

### **PRINCIPLE 8 Remunerate fairly and responsibly**

The Remuneration and Nomination Committee assists the Board in ensuring that the Company's remuneration levels are appropriate in the markets in which it operates and are applied, and seen to be applied, fairly. The Board has assumed all of the responsibilities of the Committee at this time due to the size and scale of the Company at this time.

The Company's remuneration policy is described in the Remuneration Report contained within the Directors' Report.

Business of the Committee has been dealt with as part of the regular Board meetings as needed. The Board has access to senior management of the Company and may consult independent experts where the Board considers it necessary to carry out the duties of the Committee.

Currently, the Company pays salaries to the Executive Director and directors' fees to the NEDs. As stated in the Directors' Report, businesses associated with directors may receive fees for professional services provided to the Company.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Income Statement

For the Year Ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	2	311,476	482,969	311,463	482,917
Other income	2	50,091	76,725	50,091	20,053
		<u>361,567</u>	<u>559,694</u>	<u>361,554</u>	<u>502,970</u>
Royalties & licence fees		(89,813)	(115,625)	(89,813)	(252,831)
Research and development	3	(1,127,019)	(752,622)	(1,127,019)	(752,622)
Employment related	3	(1,050,149)	(1,353,299)	(1,050,149)	(1,354,051)
Travel related costs		(56,072)	(163,603)	(56,072)	(163,603)
Consultants costs		(106,864)	(270,139)	(106,864)	(263,222)
Occupancy costs		(70,630)	(114,240)	(70,630)	(111,704)
Corporate expenses	3	(425,021)	(564,856)	(420,114)	(513,544)
Impairment expense/credit	3	-	-	94,240	(124,858)
		<u>(2,925,568)</u>	<u>(3,334,384)</u>	<u>(2,826,421)</u>	<u>(3,536,435)</u>
Loss before income tax		(2,564,001)	(2,774,690)	(2,464,867)	(3,033,465)
Income tax benefit	4	93,330	-	93,330	-
		<u>(2,470,671)</u>	<u>(2,774,690)</u>	<u>(2,371,537)</u>	<u>(3,033,465)</u>
<b>Loss attributable to members of the parent entity</b>					
<i>Earnings per share (cents per share)</i>					
Basic and diluted for loss for the year attributable to ordinary equity holders of the parent					
	6	(0.80)	(0.96)		

The accompanying notes form part of these financial statements

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Balance Sheet**  
**As at 30 June 2009**

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	1,866,605	1,844,226	1,829,264	1,707,506
Trade and other receivables	9	106,921	116,618	106,831	116,618
Other current assets	10	15,640	45,366	15,640	45,366
<b>TOTAL CURRENT ASSETS</b>		<b>1,989,166</b>	<b>2,006,210</b>	<b>1,951,735</b>	<b>1,869,490</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	8,782	14,018	8,782	14,018
Other financial assets	11	-	-	13	13
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,782</b>	<b>14,018</b>	<b>8,795</b>	<b>14,031</b>
<b>TOTAL ASSETS</b>		<b>1,997,948</b>	<b>2,020,228</b>	<b>1,960,530</b>	<b>1,883,521</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	444,570	607,671	430,203	593,149
Provisions		56,859	54,522	56,859	54,522
<b>TOTAL CURRENT LIABILITIES</b>		<b>501,429</b>	<b>662,193</b>	<b>497,062</b>	<b>647,671</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	14	347,735	-	347,735	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>347,735</b>	<b>-</b>	<b>347,735</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>849,164</b>	<b>662,193</b>	<b>834,797</b>	<b>647,671</b>
<b>NET ASSETS</b>		<b>1,148,784</b>	<b>1,358,035</b>	<b>1,125,733</b>	<b>1,235,850</b>
<b>EQUITY</b>					
Contributed equity	15	74,836,046	72,728,840	74,836,046	72,728,840
Reserves	16	2,565,405	2,411,191	2,565,405	2,411,191
Accumulated losses		(76,252,667)	(73,781,996)	(76,275,718)	(73,904,181)
<b>TOTAL EQUITY</b>		<b>1,148,784</b>	<b>1,358,035</b>	<b>1,125,733</b>	<b>1,235,850</b>

The accompanying notes form part of these financial statements

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Cash Flow Statement**

**For the Year Ended 30 June 2009**

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers (inclusive of GST)		237,243	380,632	237,243	380,632
Payments to suppliers and employees (inclusive of GST)		(2,610,735)	(3,663,821)	(2,609,586)	(3,487,783)
Receipt of government grants		50,000	-	50,000	-
Income tax rebate received		93,330	-	93,330	-
<b>Net cash used in operating activities</b>	<b>8</b>	<b>(2,230,162)</b>	<b>(3,283,189)</b>	<b>(2,229,013)</b>	<b>(3,107,151)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		77,402	196,674	77,389	196,622
Purchase of property, plant and equipment		(180)	(10,803)	(180)	(10,803)
<b>Net cash provided by investing activities</b>		<b>77,222</b>	<b>185,871</b>	<b>77,209</b>	<b>185,819</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of securities		2,107,206	14,117	2,107,206	14,117
Proceeds from borrowings		36,234	-	36,234	-
Payment of loan to related entities		-	-	-	(124,858)
Proceeds from loan repaid by related entities		-	-	130,122	-
<b>Net cash provided by/(used in) financing activities</b>		<b>2,143,440</b>	<b>14,117</b>	<b>2,273,562</b>	<b>(110,741)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(9,501)</b>	<b>(3,083,201)</b>	<b>121,758</b>	<b>(3,032,073)</b>
Exchange rate changes		31,879	(32,924)	-	-
Cash at 1 July		1,844,226	4,960,351	1,707,506	4,739,579
<b>Cash at 30 June</b>		<b>1,866,605</b>	<b>1,844,226</b>	<b>1,829,264</b>	<b>1,707,506</b>

The accompanying notes form part of these financial statements

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Statement of Changes in Equity  
For the Year Ended 30 June 2009**

	<b>Contributed Equity</b>	<b>Share- based Payments Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<b>Balance at 1 July 2007</b>	<b>72,475,990</b>	<b>2,174,709</b>	<b>(71,007,306)</b>	<b>3,643,393</b>
Loss attributable to members of parent entity	-	-	(2,774,690)	(2,774,690)
Fair value of options vested during period	-	236,482	-	236,482
Share issues, net of transaction costs	252,850	-	-	252,850
<b>Balance 30 June 2008</b>	<b>72,728,840</b>	<b>2,411,191</b>	<b>(73,781,996)</b>	<b>1,358,035</b>
Loss attributable to members of parent entity	-	-	(2,470,671)	(2,470,671)
Fair value of options vested during period	-	154,014	-	154,014
Share issues, net of transaction costs	2,107,206	-	-	2,107,206
<b>Balance 30 June 2009</b>	<b>74,836,046</b>	<b>2,565,405</b>	<b>(76,252,667)</b>	<b>1,148,784</b>
<b>PARENT</b>				
<b>Balance at 1 July 2007</b>	<b>72,475,990</b>	<b>2,174,709</b>	<b>(70,870,716)</b>	<b>3,779,983</b>
Loss attributable to members of parent entity	-	-	(3,033,465)	(3,033,465)
Fair value of options vested during period	-	236,482	-	236,482
Share issues, net of transaction costs	252,850	-	-	252,850
<b>Balance 30 June 2008</b>	<b>72,728,840</b>	<b>2,411,191</b>	<b>(73,904,181)</b>	<b>1,235,850</b>
Loss attributable to members of parent entity	-	-	(2,371,537)	(2,371,537)
Fair value of options vested during period	-	154,014	-	154,014
Share issues, net of transaction costs	2,107,206	-	-	2,107,206
<b>Balance 30 June 2009</b>	<b>74,836,046</b>	<b>2,565,405</b>	<b>(76,275,718)</b>	<b>1,125,733</b>

The accompanying notes form part of these financial statements

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Notes to the Financial Statements for the Year Ended 30 June 2009

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Preparation

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

The financial report covers the consolidated entity of Benitec Limited and controlled entities, and Benitec Limited as an individual parent entity. Benitec Limited is a listed public company, incorporated and domiciled in Australia.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

This financial report has been prepared on a going concern basis. During the year ended 30 June 2009, the consolidated entity incurred a loss of \$2,470,671 (2008: loss \$2,774,690) and had operating cash outflows of \$2,230,162 (2008: \$3,283,189). The ability of the consolidated entity to continue as a going concern assumes sufficient funding from capital raising, and completion of income generating commercial agreements or, if necessary, reduction in activities or action to realise asset value. In common with start-up biotechnology companies:

- i. the consolidated entity's operations are subject to considerable risks due primarily to the nature of the development and commercialisation being undertaken; and
- ii. to allow the consolidated entity to execute its longer term plans, it will be necessary to raise additional capital in the near future.

The consolidated entity raised funds by way of share placement of \$1 million to its major shareholder and a non-renounceable rights issue which raised approximately \$1.15 million before costs during the year. The Directors cannot be certain of the success of future fund raising activities. However, following the successful fund raising during the 2009 year, the Directors believe that they will be able to raise sufficient funds in the new financial year to continue to fund the consolidated entity's activities.

In the meantime the Directors plan to continue the consolidated entity's operations on the basis of matters referred to above. In light of the above, it is their belief that sufficient funds will be raised, together with the existing net assets, for the consolidated entity to operate in its normal manner for a period of not less than twelve months from the date of this report. In the event that such arrangements are not entered into, there is significant uncertainty as to whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments to the amounts or classifications of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as going concern.

The financial report has been prepared in accordance with the historical convention.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

##### (b) Principles of Consolidation

A controlled entity is any entity controlled by Benitec Limited whereby Benitec Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(b) Principles of Consolidation (continued)**

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

A list of controlled entities is contained in note 12 to the financial statements. All controlled entities have a June financial year-end except for Benitec Ltd (UK) which has a December year-end.

**(c) New Accounting Standards and Interpretations**

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity and the Company's financial report:

- |  |   |
|--|---|
| ▪ AASB 101 'Presentation of Financial Statements' (revised September 2007) | Effective for annual reporting periods beginning on or after 1 January 2009 |
|--|---|

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity and the Company:

- |   |  |
|---|--|
| ▪ AASB 8 'Operating Segments'                                     | Effective for annual reporting periods beginning on or after 1 January 2009                                    |
| ▪ AASB 2009-2 'Improving Disclosures about Financial Instruments' | Effective for annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009 |

**(d) Revenue**

Revenue from the granting of licenses is recognised in accordance with the terms of the relevant agreements and is usually recognised on an accruals basis, unless the substance of the agreement provides evidence that it is more appropriate to recognise revenue on some other systematic rational basis. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(e) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Benitec Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Benitec Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the ATO on 12 February 2004 that it had formed an income tax consolidated group to apply from 1 July 2002. No tax sharing agreement has been entered between entities in the tax consolidated group.

**(f) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

**Key estimates - impairment**

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

**Key estimates - share-based payments transactions**

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 21.

**Key judgements - tax losses**

Given the company's and each individual entities history of recent losses, the consolidated entity has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the company or its subsidiaries will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(g) Impairment of Assets**

The consolidated entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the consolidated entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

**(h) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

**(i) Trade and Other Receivables**

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(j) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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.

Notes to the Financial Statements for the Year Ended 30 June 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(j) Property, Plant and Equipment (continued)

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	20-40 %

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(l) Financial Instruments**

**Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

**(m) Intangibles**

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

**(n) Trade and Other Payables**

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

**(o) Employee Benefits**

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(p) Provisions**

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

**(q) Contributed Equity**

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

**(r) Share-based Payment Transactions**

Benefits are provided to employees of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The plan currently in place to provide these benefits is the Employee Share Option Plan (ESOP), which provides benefits to senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Benitec Limited ('market conditions').

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(s) Earnings per Share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(t) Foreign Currency Transactions and Balances**

**Functional and presentation currency**

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

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

**(u) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(v) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
<b>NOTE 2: REVENUE FROM CONTINUING OPERATIONS</b>				
<b>Revenue</b>				
- Licensing revenue and royalties	234,074	287,373	234,074	287,373
- Finance income - interest received	77,402	195,596	77,389	195,544
	<u>311,476</u>	<u>482,969</u>	<u>311,463</u>	<u>482,917</u>
<b>Other income</b>				
- Government grants	50,000	-	50,000	-
- Doubtful debt recovery	-	55,775	-	-
- Realised gain on foreign currency translation	-	20,013	-	20,013
- Sundry income	91	937	91	40
	<u>50,091</u>	<u>76,725</u>	<u>50,091</u>	<u>20,053</u>
<b>TOTAL REVENUE AND OTHER INCOME</b>	<b><u>361,567</u></b>	<b><u>559,694</u></b>	<b><u>361,554</u></b>	<b><u>502,970</u></b>

**NOTE 3: LOSS FOR THE YEAR**

**(a) Expenses incurred by continuing operations**

**Borrowing costs**

*Included in Corporate expenses*

Interest payable - other persons	3,979	9,395	3,979	9,395
	<u>3,979</u>	<u>9,395</u>	<u>3,979</u>	<u>9,395</u>

**Depreciation included in income statement**

*Included in Occupancy expenses*

Depreciation of plant and equipment	5,416	4,787	5,416	4,787
	<u>5,416</u>	<u>4,787</u>	<u>5,416</u>	<u>4,787</u>

**Employee benefits expense included in income statement**

*Included in Employment related expenses*

Wages and salaries	646,010	808,906	646,010	808,906
Superannuation costs	43,378	70,312	43,378	70,312
Share-based payments expense	154,214	236,481	154,214	236,481

**Impairment expense/(credit) included in income statement**

Current trade and other receivables	-	-	(94,240)	124,858
	<u>-</u>	<u>-</u>	<u>(94,240)</u>	<u>124,858</u>

**(b) Revenues and Expenses:**

The following revenue and expense items are relevant in explaining the financial performance:

**Expenses**

Research and development costs consist of:

Project expenses	228,806	260,576	228,806	260,576
IP litigation expenses	30,395	36,320	30,395	36,320
Other IP related expenses	867,818	455,726	867,818	455,726
	<u>1,127,019</u>	<u>752,622</u>	<u>1,127,019</u>	<u>752,622</u>

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$

**NOTE 4: INCOME TAX EXPENSE**

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on loss from ordinary activities before income tax at 30% (2008: 30%)	(769,201)	(832,407)	(739,460)	(910,040)
<i>Add Tax effect of:</i>				
Non-deductible share-based payment expense	46,264	70,944	46,264	70,944
Non-deductible legal fees	50,548	50,241	50,548	50,241
Non-deductible impairment expense/(credit)	-	-	(28,272)	37,457
Foreign exchange translation	-	7,876	-	6
Capital items deductible	(348,135)	-	(348,135)	-
Other non deductible items	126,991	81,530	126,991	81,530
R&D tax offset from prior year	93,330	-	93,330	-
Future income tax benefit not brought to account	893,532	621,816	892,064	669,862
Income tax benefit reported in the income statement	93,330	-	93,330	-

(b) The parent entity, acting as the Head Entity, notified the Australian Taxation Office on 12 February 2004 that it had formed a Tax Consolidated Group applicable as from 1 July 2002. No tax sharing agreement has been entered between entities in the tax consolidated group.

(c) Deferred Tax Asset not brought to account

As at 30 June 2009, the Tax Consolidated Group has a net deferred tax asset of \$7,794,695 (2008: \$6,904,163) arising from significant available Australian tax losses (calculated at 30%), which has not been recognised in the financial statements.

The Consolidated Group also has Australian capital tax losses for which no deferred tax asset is recognised on the balance sheet of \$381,588 (2008: \$381,588) which are available indefinitely for against future capital gains subject to continuing to meet relevant statutory tests.

The recoupment of available tax losses as at 30 June 2009 is contingent upon the following:

- (i) the Consolidated Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continuing to be complied with; and
- (iii) there being no changes in tax legislation which would adversely affect the Tax Consolidated Group from realising the benefit from the losses.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
<b>NOTE 5: AUDITOR'S REMUNERATION</b>				
Remuneration of the auditor of the parent entity for:				
-auditing or reviewing the financial report	42,900	33,800	42,000	33,800
Remuneration of other auditors of subsidiaries for:				
-auditing or reviewing the financial report of subsidiaries	-	8,297	-	-
	42,900	42,097	42,000	33,800

**NOTE 6: EARNINGS PER SHARE**

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

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options) and the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	\$	\$
Loss after income tax used in the calculation of basic EPS and dilutive EPS	(2,470,671)	(2,820,816)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for basic and diluted earnings per share	308,379,469	290,278,098
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

All options to acquire ordinary shares are not considered dilutive for the year ended 30 June 2009 and the comparative period.

***Classification of securities***

No securities or convertible debt instruments could be classified as potential ordinary shares under AASB 133 and therefore have not been included in determination of dilutive EPS.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 7: DIRECTOR AND EXECUTIVE DISCLOSURES**

**(a) Details of Specified Directors and Specified Executives**

**(i) Specified Directors**

Mr Peter Francis	Chairman - Non-Executive	Appointed on 23 February 2006
Mr Mel Bridges	Director - Non-Executive	Appointed on 12 October 2007
Dr Ken Reed	Director - Non-Executive	Appointed on 19 May 2000, resigned on 16 April 2009

**(ii) Specified Executives**

Ms Sue MacLeman	Chief Executive Officer	Appointed on 4 September 2006
Mr John Rawling	Company Secretary/CFO	Appointed on 2 January 2007
Dr Jason Smythe	Chief Scientific Officer	Appointed on 8 October 2007, resigned on 30 November 2008

**(b) Specified Directors' Remuneration**

2009	Short Term			Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
Specified Directors							
Peter Francis	60,000	-	-	-	26,747	-	86,747
Mel Bridges	55,000	-	-	-	17,831	-	72,831
Ken Reed	42,049	-	-	3,784	17,831	-	63,664
	157,049	-	-	3,784	62,409	-	223,242

2008	Short Term			Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
Specified Directors							
Peter Francis	53,750	-	-	-	18,536	-	72,286
Mel Bridges	38,843	-	-	-	12,359	-	51,202
Ken Reed	44,828	-	-	4,034	12,359	-	61,221
	137,421	-	-	4,034	43,254	-	184,709

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 7: DIRECTOR AND EXECUTIVE DISCLOSURES (continued)**

**(c) Specified Executives' Remuneration**

<b>2009</b>	<b>Short Term</b>			<b>Post Employment</b>		<b>Equity</b>	<b>Total</b>
Specified Executives	Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Super-annuation	Termination Benefits	Options	
Sue MacLeman	288,242	90,000	-	21,095	-	70,400	469,737
John Rawling	118,486	9,174	-	11,489	-	10,460	149,609
Jason Smythe	100,412	-	-	5,727	10,531	6,200	122,870
	507,140	99,174	-	38,311	10,531	87,060	742,216

<b>2008</b>	<b>Short Term</b>			<b>Post Employment</b>		<b>Equity</b>	<b>Total</b>
Specified Executives	Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Super-annuation	Termination Benefits	Options	
Sue MacLeman	275,229	70,000	-	24,771	-	111,847	481,847
John Rawling	113,532	8,000	-	14,968	-	18,782	155,282
Jason Smythe	129,449	-	-	9,609	-	55,800	194,858
	518,210	78,000	-	49,348	-	186,429	831,987

**(d) Options Granted As Remuneration**

In respect of the specified directors and specified executives, there were no options granted as remuneration.

**(e) Shares Issued on Exercise of Remuneration Options**

In respect of the specified directors and specified executives, there were no shares issued on exercise of remuneration options.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 7: DIRECTOR AND EXECUTIVE DISCLOSURES (continued)**

**(f) Options and Rights Holdings**

**Number of Options held by Key Management Personnel**

	Balance 01-Jul-08	Granted as Remun- eration	Options Acquired	Options Exercised/ Lapsed/Other	Balance at 30-Jun-09	Total Vested at 30-Jun-09	Total Exercisable at 30-Jun-09
<b>Specified Directors</b>							
Peter Francis	2,474,350	-	-	-	2,474,350	474,350	474,350
Mel Bridges	1,333,333	-	-	-	1,333,333	-	-
Ken Reed*	2,333,333	-	-	-	2,333,333	1,000,000	1,000,000
Sub-total	6,141,016	-	-	-	6,141,016	1,474,350	1,474,350
<b>Specified Executives</b>							
Sue MacLeman	6,000,000	-	-	-	6,000,000	5,000,000	5,000,000
John Rawling	1,300,000	-	-	-	1,300,000	1,200,000	1,200,000
Jason Smythe*	1,000,000	-	-	(1,000,000)	-	-	-
Sub-total	8,300,000	-	-	(1,000,000)	7,300,000	6,200,000	6,200,000
Total	14,441,016	-	-	(1,000,000)	13,441,016	7,674,350	7,674,350

\* Dr Smythe left the Company during the year whilst Dr Reed resigned as a Director however remains as Chairman of the Scientific Advisory Board.

**(g) Shareholdings**

**Number of Shares held by Specified Directors and Specified Executives**

	Balance 01-Jul-08	Received as Remuneration	Upon Options Exercised	Net Change Other *	Balance 30-Jun-09
<b>Specified Directors</b>					
Peter Francis	474,350	-	-	-	474,350
Mel Bridges	200,000	-	-	-	200,000
Ken Reed**	1,011,000	-	-	(1,011,000)	-
Sub-total	1,685,350	-	-	(1,011,000)	674,350
<b>Specified Executives</b>					
Sue MacLeman	-	-	-	-	-
John Rawling	-	-	-	-	-
Jason Smythe**	-	-	-	-	-
Sub-total	-	-	-	-	-
Total	1,685,350	-	-	(1,011,000)	674,350

\* Net Change Other refers to total shares purchased or sold during the financial year.

\*\* Dr Smythe left the Company during the year whilst Dr Reed resigned as a Director however remains as Chairman of the Scientific Advisory Board.

**Notes to the Financial Statements for the Year Ended 30 June 2009**

**NOTE 7: DIRECTOR AND EXECUTIVE DISCLOSURES (continued)**

**(h) Remuneration Practices**

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows:

The Board of Directors of Benitec Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Board's remuneration policy has been implemented to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrate the value the Company places on its officers by being equitable, consistent with individual performance and experience, and market competitive. Such officers are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost to the Company.

To assist in achieving these objectives, the Board links the nature and amount of executive officers' emoluments to the Company's financial and operational performance. All executives have the opportunity to qualify for participation in the Benitec Employee Share Option Plan, which provides incentives where specified performance criteria are met. The purpose of the Plan is to recognise employees who have contributed to the success of the Company, to provide an incentive to achieve long term objectives of the Company and foster and promote loyalty between the Company and its employees.

The current employment agreement with the Chief Executive Officer has a six month notice period. The Chief Executive Officer's appointment with the Company may be terminated by her providing 2 months notice and the Company by providing 6 months notice in writing. The Company may elect to pay the Chief Executive Officer an amount equal to 6 months' pay in lieu of notice, together with any outstanding entitlement due to her.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 8: CASH AND CASH EQUIVALENTS</b>				
Cash at bank	218,427	207,782	181,086	81,342
Deposits at call	1,648,178	1,636,444	1,648,178	1,626,164
	<u>1,866,605</u>	<u>1,844,226</u>	<u>1,829,264</u>	<u>1,707,506</u>

**Reconciliation of Cash Flow from Operations with Loss after Income Tax**

Loss after Income Tax	(2,470,671)	(2,774,690)	(2,371,537)	(3,033,465)
Non-cash flows included in operating loss:				
Interest received	(77,402)	(196,674)	(77,389)	(196,622)
Depreciation	5,416	4,787	5,416	4,787
Share-based payments	154,214	236,482	154,214	236,482
Impairment expense/(credit)	-	-	(94,240)	124,858
Provisions and non-cash adjustments	2,337	23,757	2,337	23,757
Exchange (gain)/loss	-	32,924	-	(766)
Changes in assets and liabilities:				
(Increase)/Decrease in trade and other receivables	(22,184)	124,890	(18,661)	(11,840)
(Increase)/Decrease in other current assets	29,727	(24,925)	22,293	(25,514)
Increase/(Decrease) in trade and other payables	148,401	(709,740)	148,554	(229,914)
Net cash flows from operations	<u>(2,230,162)</u>	<u>(3,283,189)</u>	<u>(2,229,013)</u>	<u>(3,107,451)</u>

**NOTE 9: TRADE AND OTHER RECEIVABLES**

**CURRENT**

Sundry Debtors	<u>106,921</u>	<u>116,618</u>	<u>106,831</u>	<u>116,618</u>
----------------	----------------	----------------	----------------	----------------

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 10: OTHER ASSETS</b>				
CURRENT				
Prepayments	13,900	36,193	13,900	36,193
Other current assets	1,740	9,173	1,740	9,173
	15,640	45,366	15,640	45,366

**NOTE 11: OTHER FINANCIAL ASSETS**

NON-CURRENT

Unlisted investments, at cost:

- Shares in controlled entities	-	-	13	13
---------------------------------	---	---	----	----

**NOTE 12: CONTROLLED ENTITIES**

**(a) Controlled entities:**

	Country of Incorporation	Percentage Owned	
		2009	2008
<b>Parent Entity:</b>			
Benitec Limited	Australia		
<b>Controlled entities of Benitec Limited:</b>			
Benitec Australia Limited	Australia	100%	100%
Benitec Limited	United Kingdom	100%	100%
Benitec, Inc.	USA	100%	100%
Benitec, LLC	USA	100%	100%
RNAi Therapeutics, Inc.	USA	100%	100%

**(b) Controlled entities acquired or disposed:**

No controlled entities were acquired or disposed during the financial year.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
<b>NOTE 13: PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Plant and Equipment</b>				
At cost	21,121	20,941	21,121	20,941
Accumulated depreciation	(12,339)	(6,923)	(12,339)	(6,923)
Total Property, Plant and Equipment	8,782	14,018	8,782	14,018

*Movements in Carrying Amounts*

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	<b>Consolidated</b>		<b>Parent</b>	
	Plant and Equipment	Total	Plant and Equipment	Total
	\$	\$	\$	\$
Balance at 30 June 2007	8,002	8,002	8,002	8,002
Additions	10,803	10,803	10,803	10,803
Depreciation expense	(4,787)	(4,787)	(4,787)	(4,787)
Balance at 30 June 2008	14,018	14,018	14,018	14,018
Additions	180	180	180	180
Depreciation expense	(5,416)	(5,416)	(5,416)	(5,416)
Balance at 30 June 2009	8,782	8,782	8,782	8,782

**NOTE 14: TRADE AND OTHER PAYABLES**

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
<b>CURRENT</b>				
<i>Unsecured liabilities</i>				
Trade creditors	137,428	204,242	137,428	204,242
Sundry creditors and accrued expenses	307,142	403,429	292,775	403,429
	444,570	607,671	430,203	607,671
<b>NON-CURRENT</b>				
<i>Unsecured liabilities</i>				
Sundry creditors and accrued expenses	347,735	-	347,735	-

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$

**NOTE 15: CONTRIBUTED EQUITY**

352,500,230 (2008: 291,954,879) fully paid ordinary shares

	74,836,046	72,728,840	74,836,046	72,728,840
--	------------	------------	------------	------------

(a) Ordinary Shares

At the beginning of the reporting period	72,728,840	63,146,830	72,728,840	63,146,830
Shares issued during the year	2,150,027	263,087	2,150,027	263,087
Transaction costs relating to share issues	(42,821)	(10,237)	(42,821)	(10,237)
At reporting date	74,836,046	72,728,840	74,836,046	72,728,840

	No.	No.	No.	No.
At the beginning of reporting period	291,954,879	286,648,481	291,954,879	286,648,481
Shares issued during the year	60,545,351	5,306,398	60,545,351	5,306,398
At reporting date	352,500,230	291,954,879	352,500,230	291,954,879

(b) Share options

At the end of the financial year, there were 138,499,913 unissued ordinary shares (2008: 78,046,228) over which options were outstanding:

Details	No. of Options	Expiry Date	Exercise Price
Listed Options BLTO	38,300,907	08-Apr-14	\$0.10
Listed Options BLTOA	56,081,915	03-Apr-11	\$0.15
Employee share options plan options	100,000	28-Jul-09	\$0.50
Employee share options plan options	100,000	28-Jul-09	\$1.00
Employee share options plan options	150,000	28-Jul-09	\$1.50
Employee share options plan options	150,000	29-Jul-09	\$2.00
Employee share options plan options	3,000,000	04-Sep-11	\$0.0224
Employee share options plan options	1,000,000	14-Dec-11	\$0.0599
Employee share options plan options	1,000,000	08-Oct-12	\$0.114
Employee share options plan options	3,308,334	31-Dec-12	\$0.115
Non-executive director options	4,666,666	31-Dec-12	\$0.131
Directors' options	1,953,125	23-Oct-15	\$0.17
Strategic Adviser Warrants	6,126,962	04-Aug-14	\$0.90
Strategic Adviser Warrants	300,000	16-Apr-14	\$0.10
Unlisted options	22,244,444	31-Dec-12	\$0.10
Other	17,560	30-Sep-13	\$0.03
	138,499,913		

Since 30 June 2009, no options have been issued under the ESOP.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**Notes to the Financial Statements for the Year Ended 30 June 2009**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
<b>NOTE 16: RESERVES</b>				
<b>Share-based Payments Reserve</b>				
At the beginning of the reporting period	2,411,191	2,174,709	2,411,191	2,174,709
Fair value of options vested during year	154,214	236,482	154,214	236,482
At reporting date	2,565,405	2,411,191	2,565,405	2,411,191

**Nature and purpose of Reserves**

*Share-based Payments Reserve*

The Share-based Payments reserve records items recognised as expenses on valuation and vesting of employee share options granted.

**NOTE 17: CONTINGENT LIABILITIES**

Benitec has received a claim from CSIRO totalling approximately \$480,000 seeking the recovery of their costs associated with the US patent reexamination. These costs were neither authorised by Benitec nor is the Benitec aware of any agreement under which there may be grounds for CSIRO to recover them from Benitec. The Directors are not aware of any circumstance or information which would lead them to believe that this liability will crystallise and consequently no provision is included in this financial report in respect of this matter.

There were no other contingent liabilities to be reported at the reporting date.

**NOTE 18: SEGMENT REPORTING**

**Business Segments**

The consolidated entity had only one business segment during the financial year, being the global commercialisation (by licensing and partnering) of patents and licences developed in the area of biotechnology, more specifically in functional genomics, with applications in biomedical research and human therapeutics.

**Geographical Segments**

Business operations are conducted in Australia. However there are controlled entities based in the USA and United Kingdom

	<b>Segment Revenues from External Customers</b>		<b>Segment Results</b>		<b>Carrying Amount of Segment Assets</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$	\$	\$
<b>Geographical location</b>						
Australia	361,554	503,867	(2,369,637)	(2,571,516)	1,960,606	1,883,508
United States of America	13	55,827	(77,980)	(181,879)	17,342	136,720
United Kingdom	-	-	(23,054)	(21,295)	-	-
	361,567	559,694	(2,470,671)	(2,774,690)	1,977,948	2,020,228

**Accounting Policies**

Segment revenues and expenses are directly attributable to the identified segments and include joint venture revenue and expenses where a reasonable allocation basis exists. Segment assets include all assets used by a segment and consist mainly of cash, receivables, inventories, intangibles and property, plant and equipment, net of any allowances, accumulated depreciation and amortisation. Where joint assets correspond to two or more segments, allocation of the net carrying amount has been made on a reasonable basis to a particular segment. Segment liabilities include mainly accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Deferred income tax provisions are not included in segment assets and liabilities.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Notes to the Financial Statements for the Year Ended 30 June 2009

#### NOTE 19: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits which arise directly from its operations.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the financial risk management policy. The objective of the policy is to support the delivery of the financial targets whilst protecting future financial security.

The main risks arising from the financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Risk Exposures and Responses

##### *Interest rate risk*

The consolidated entity generates income from interest on surplus funds.

At balance date, the group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,866,605	1,884,226	1,829,264	1,707,506
Financial Liabilities	-	-	-	-
Net Exposure	1,866,605	1,884,226	1,829,264	1,707,506

The policy is to analyse its interest rate exposure when it has financial liabilities. Within this analysis consideration is given to alternative financing, hedging positions and the mix of fixed and variable interest rates.

The consolidated entity currently has short term deposits at variable interest rates. The average interest rate applying to cash in the year was 4.14% (2008: 6.15%).

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:

	<b>Post Tax Result</b>		<b>Equity</b>	
	<b>Higher/ (Lower)</b>		<b>Higher/ (Lower)</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
<b>Consolidated</b>				
+1% (100 basis points)	13,729	32,649	13,729	32,649
-0.5% (50 basis points)	(6,865)	(16,325)	(6,865)	(16,325)
<b>Parent</b>				
+1% (100 basis points)	13,274	29,930	13,274	29,930
-0.5% (50 basis points)	(6,637)	(14,965)	(6,637)	(14,965)

The movements in operating result are due to higher/lower interest income from cash balances. The sensitivity is lower in 2009 than in 2008 due to lower cash balances and significant reductions in interest rates during the year.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Notes to the Financial Statements for the Year Ended 30 June 2009

#### NOTE 19: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### *Liquidity risk*

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and issues of equity securities where necessary. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital e.g. inventories and trade receivables.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2009. Cash flows for financial assets and liabilities with fixed amount or timing are presented with their respective discounted cash flows for the respective upcoming fiscal years.

The remaining contractual maturities of the consolidated entity's financial liabilities are:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
6 months or less	-	25,584	-	25,584
6-12 months	-	3,164	-	3,164
1-5 years	-	-	-	-
Over 5 years	-	-	-	-
	-	28,748	-	28,748

#### **Maturity analysis of financial assets and liabilities based on management's expectation**

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the consolidated entity's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable and effective controlling of future risks, Benitec has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

	≤6 months	6-12 months	1-5 years	>5 years	Total
	\$	\$	\$	\$	\$
<b>Consolidated</b>					
Financial assets					
Cash and cash equivalents	1,866,605	-	-	-	1,866,605
Trade and other receivables	106,921	-	-	-	106,921
Financial Liabilities					
Trade and other payables	(386,615)	(57,955)	(347,735)	-	(792,305)
Net Maturity	1,586,911	(57,955)	(347,735)	-	1,181,221
<b>Parent</b>					
Financial assets					
Cash and cash equivalents	1,829,264	-	-	-	1,829,264
Trade and other receivables	106,831	-	-	-	106,831
Financial Liabilities					
Trade and other payables	(372,248)	(57,955)	(347,735)	-	(777,938)
Net Maturity	1,563,847	(57,955)	(347,735)	-	1,158,157

The consolidated entity monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Notes to the Financial Statements for the Year Ended 30 June 2009

#### NOTE 19: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Forecast liquidity reserves as at 30 June 2009 is as follows:

	30 June	
	2010	2011-2014
	\$'000	\$'000
Opening balance for the period	1,867	1,240
Operating inflows	140	480
Operating outflows	(2,767)	(8,630)
Capital expenditure	-	-
Financing proceeds	2,000	8,000
Closing balance for the period	<u>1,240</u>	<u>1,090</u>

#### *Foreign currency risk*

The consolidated entity has transactional currency exposures. Such exposure arises from licensing fees and royalties as well as expenditure by the Group in currencies other than the unit's measurement currency mainly. Foreign currency expenditure accounts for less than 10% of costs of the consolidated entity whilst revenue is received on an irregular basis. In future periods, it is expected that the consolidated entity will generate revenues from milestone payments and royalties under its agreements with foreign companies.

#### *Credit risk*

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, and trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at each balance date is addressed in each applicable note.

The consolidated entity does not hold any credit derivatives to offset its credit exposure. The consolidated entity trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it in the consolidated entity's policy to securitise its trade and other receivables.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the consolidated entity.

#### NOTE 20: FINANCIAL INSTRUMENTS

##### **Fair values**

Fair values of financial assets and liabilities are equivalent to carrying values due their short term to maturity.

## BENITEC LIMITED – 2009 ANNUAL REPORT

### Notes to the Financial Statements for the Year Ended 30 June 2009

#### NOTE 21: SHARE BASED PAYMENTS

##### Benitec Limited Employees Share Option Plan (ESOP):

###### Description of plan

The consolidated entity may from time to time issue employees options to acquire shares in the parent at a fixed price on the market. Each option when exercised will then entitle the option holder to one share in Benitec Limited (ASX Code: BLT). All options are exercisable on or before an expiry date, do not carry any voting or dividend rights and are not transferable except on death of the option holder.

###### Transactions during the year

Two employees who had previously been granted options left the Company on 28 November 2008. The Board determined that no further vesting of options held by these employees would take place and that vested options held by these employees would expire no later than 28 November 2009.

###### Share Options granted during the year

No options were granted to executives during the year.

The fair value of options is estimated at the date of grant using the Black-Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2009.

	Dividend Yield	Expected Volatility	Risk-free interest rate	Expected life of Option	Share price at grant date
S. MacLeman	Nil	60%	6.61%	5 years	\$0.105
J. Rawling	Nil	60%	6.61%	5 years	\$0.105

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No options have been issued to directors and executives after year end.

All options issued by Benitec Limited under its ESOP are unlisted.

The closing market price of an ordinary share of Benitec Limited (ASX Code: BLT) on the Australian Stock Exchange at 30 June 2009 was \$0.025 (30 June 2008: \$0.075)

**BENITEC LIMITED – 2009 ANNUAL REPORT**

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

**NOTE 21: SHARE BASED PAYMENTS (continued)**

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of share options issued under the ESOP:

	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>No.</b>	<b>WAEP</b>	<b>No.</b>	<b>WAEP</b>
Outstanding at the beginning of the year	9,200,000	\$0.145	5,750,000	\$0.150
Granted during the year	-	-	4,575,000	\$0.115
Exercised during the year	-	-	(1,000,000)	\$0.022
Lapsed or forfeited during the year	(391,666)	\$0.090	(125,000)	\$0.126
Outstanding at the end of the year	<u>8,808,334</u>	<u>\$0.149</u>	<u>9,200,000</u>	<u>\$0.145</u>

**Details of share options outstanding as at end of year:**

Expiry Date and Exercise Price	Grant Date	<b>Consolidated</b>		<b>Parent</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
28 July 2009 @ \$0.50 each	29-Jul-02	100,000	100,000	100,000	100,000
28 July 2009 @ \$1.00 each	29-Jul-02	100,000	100,000	100,000	100,000
28 July 2009 @ \$1.50 each	29-Jul-02	150,000	150,000	150,000	150,000
29 July 2009 @ \$2.00 each	29-Jul-02	150,000	150,000	150,000	150,000
4 September 2011 @ \$0.0224 each	04-Sep-06	3,000,000	3,000,000	3,000,000	3,000,000
20 November 2011 @ \$0.0626 each	20-Nov-06	-	250,000	-	250,000
14 December 2011 @ \$0.0599 each	14-Dec-06	1,000,000	1,000,000	1,000,000	1,000,000
1 July 2012 @ \$0.126 each	01-Jul-07	-	125,000	-	125,000
8 October 2012 @ \$0.114 each	08-Oct-07	1,000,000	1,000,000	1,000,000	1,000,000
31 December 2012 @ \$0.115 each	21-Feb-08	3,308,334	3,325,000	3,308,334	3,325,000
		<u>8,808,334</u>	<u>9,200,000</u>	<u>8,808,334</u>	<u>9,200,000</u>

## BENITEC LIMITED – 2009 ANNUAL REPORT

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

#### NOTE 22: EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There have been no material events subsequent to balance sheet date.

#### NOTE 23: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Transactions with Directors and Director-related Entities:				
Legal services paid / payable to Francis Abourizk Lightowlers, a law firm in which Mr Peter Francis is a partner and has a beneficial interest.	134,355	192,560	134,355	192,560

## Directors' Declaration

In accordance with a resolution of the directors of Benitec Limited, I state that:

1. In the opinion of the directors:
  - (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are 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 Accounting Standards, the Corporations Regulations 2001 and the International Financial Reporting Standards; and
  - (b) As indicated in Note 1(a), there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

On behalf of the Board



Peter Francis  
Director

Melbourne  
28 August 2009

# RSM Bird Cameron Partners

Chartered Accountants

Level 8 Rialto South Tower  
525 Collins Street Melbourne VIC 3000  
PO Box 248 Collins Street West VIC 8007  
T +61 3 9286 1800 F +61 3 9286 1999  
www.rsmi.com.au

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

BENITEC LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Benitec Limited (“the company”), 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, 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 control 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(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures 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 opinions.

Page 53

Liability limited by a  
scheme approved under  
Professional Standards  
Legislation

Major Offices in:  
Perth, Sydney, Melbourne,  
Adelaide and Canberra  
ABN 36 965 185 036

RSM Bird Cameron Partners is an  
independent member firm of RSM  
International, an affiliation of independent  
accounting and consulting firms.



### *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 Benitec 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(a).

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the consolidated entity incurred a net loss of \$2,470,671 and had operating cash outflows of \$2,230,162 during the year ended 30 June 2009. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its 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 13 to 15 of the directors' report for the financial 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 Benitec Limited for the financial year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.



**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants



**R B MIANO**  
Partner

Melbourne  
28 August 2009

## BENITEC LIMITED – 2009 ANNUAL REPORT

### SHAREHOLDER INFORMATION

#### 1. Share and Option Holding Information

##### a. Distribution of Equity Security Holders

The number of holders and amount of holdings by a range of holding sizes of the ordinary shares and options as at 31 July 2009 are detailed below.

Holding Size	Ordinary Shares (ASX: BLT)		Options (ASX: BLTO)		Options (ASX: BLTOA)	
	No. of holders	No. of Shares Held	No. of holders	No. of Options Held	No. of holders	No. of Options Held
1-1,000	127	73,436	39	25,521	93	56,740
1,001 - 5,000	582	1,899,117	163	431,111	282	776,058
5,001 – 10,000	441	3,603,059	79	564,200	104	730,554
10,001 – 100,000	1,145	42,622,351	121	3,688,520	169	4,875,499
100,001 – and over	291	305,502,267	22	41,964,555	28	49,643,064
	2,586	353,700,230	424	46,673,907	676	56,081,915

##### b. Marketable parcels

The number of holdings of ordinary shares less than a marketable parcel of \$500 is 1,469.

##### c. Substantial Shareholders

The names of substantial shareholders listed in the Company's register as at 31 July 2009 were:

Holder	Number of Ordinary Shares Held	% Held of Issued Capital
Dr Christopher Bremner	105,240,932	29.75%
HTH Nominees Pty Ltd	21,000,000	5.94%
Sigma-Aldrich Pty Limited	19,531,250	5.52%

##### d. Voting rights

The voting rights attached to each class of equity security are as follows:

Each ordinary share holder is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Option holders do not have any voting rights until the option is converted into an ordinary share.

## BENITEC LIMITED – 2009 ANNUAL REPORT

e. 20 Largest Ordinary Shareholders as at 31 July 2009

Holder Name	No. of Ordinary Shares Held	% Held of Issued Capital
Dr Christopher Bremner	105,240,932	29.75
HTH Nominees Pty Ltd	21,000,000	5.94
Sigma-Aldrich Pty Limited	19,531,250	5.52
Promega Corporation	15,996,339	4.52
Citicorp Nominees Pty Limited	15,970,136	4.52
ANZ Nominees Limited <Cash Income A/C>	7,574,344	2.14
HSBC Custody Nominees (Australia) Limited	6,666,084	1.88
National Nominees Limited	4,402,441	1.24
Mr Robert Lakelin + Mrs Roslyn Lakelin <Super Fund TM A/C>	3,649,617	1.03
UBS Wealth Management Australia Nominees Pty Ltd	3,646,653	1.03
Kanilo Pty Limited	2,800,000	0.79
Mr Andrew David Macknamara	2,585,000	0.73
Mr Manfred Adolf Reiter + Ms Elizabeth Christine Meixner <Skymar Super Fund A/C>	2,500,000	0.71
Deponent Services Pty Ltd <Lambert Super Fund A/C>	2,489,641	0.70
Ms Anne Tang	2,360,000	0.67
Done Nominees Pty Limited <Done Super Plan A/C>	2,292,515	0.65
Dr Warna Karunasena + Mrs Alankarage Sriyani Karunasena	1,920,230	0.54
Clifton Garages Nominees Pty Ltd <Clifton Garages Nom Unit A/C>	1,782,014	0.50
Mr John Alexander Hunt + Mrs Irene Lucy May Hunt <J & I Hunt S/F A/C>	1,779,091	0.50
Feta Nominees Pty Limited	1,736,124	0.49
<b>TOTAL</b>	<b>225,922,411</b>	<b>63.87</b>
<b>SHARES ON ISSUE AT 31 JULY 2009</b>	<b>353,700,230</b>	

f. 20 Largest Optionholders (ASX: BLTO) as at 31 July 2009

Holder Name	No. of Options Held	% Held of Options
Dr Christopher Bremner	25,408,240	54.44
Mr Jeffrey Connor	4,000,000	8.57
Citicorp Nominees Pty Limited	2,236,608	4.79
Mr Matthew Burford	1,900,000	4.07
Mr Ian Domaille	1,666,666	3.57
Ms Seiko Furuse & Mr Savas Turem	1,247,380	2.67
Mr David Burton Gibson	1,024,831	2.20
Goffacan Pty Ltd	800,000	1.71
Mr Manfred Adolf Reiter & Ms Elizabeth Christine Meixner <Skymar Super Fund A/C>	725,000	1.55
Mr Ahmet Aykenar	600,000	1.29
Goffacan Pty Ltd <KMM Family A/C>	400,000	0.86
HSBC Custody Nominees (Australia) Limited	288,611	0.62
Queenstown Unlimited Limited	240,268	0.51
UBS Nominees Pty Ltd <TP00014 15 A/C>	240,000	0.51
ANZ Nominees Limited <Cash Income A/C>	215,406	0.46
Mr Simon John Moran & Mrs Christine Joyce Moran <Wirrilda Super Fund A/C>	186,708	0.40
Mr Aidan Moore	152,999	0.33
Ivystar Pty Ltd	143,220	0.31
Mr Dennis Verrios & Mrs Georgina Verrios	131,667	0.28
Mr Peter Leonard Ludgate	129,043	0.28
<b>TOTAL</b>	<b>41,735,981</b>	<b>89.42</b>
<b>LISTED OPTIONS BLTO ON ISSUE AT 31 JULY 2009</b>	<b>46,673,907</b>	

## BENITEC LIMITED – 2009 ANNUAL REPORT

g. 20 Largest Optionholders (ASX: BLTOA) as at 31 July 2009

Holder Name	No. of Options Held	% Held of Options
Dr Christopher Bremner	19,969,200	35.61
HTH Nominees Pty Ltd	11,000,000	19.61
Arkwright Developments Pty Ltd <Findlay Fund Account>	7,496,440	13.37
ANZ Nominees Limited <Cash Income A/C>	4,008,504	7.15
Dr Warna Karunasena + Mrs Alankarage Sriyani Karunasena	911,820	1.63
UBS Wealth Management Australia Nominees Pty Ltd	671,135	1.20
Mr David Burton Gibson	653,883	1.17
Mrs Jennifer Mollett	500,000	0.89
Mr Ian Horrocks + Mrs Jenni Lightowlers <Lightowlers Family Super A/C>	474,350	0.85
Fitel Nominees Limited	454,545	0.81
Mr John Alexander Hunt + Mrs Irene Lucy May Hunt <J & I Hunt S/F A/C>	375,758	0.67
Clifton Garages Nominees Pty Ltd <Clifton Garages Nom Unit A/C>	287,663	0.51
Fayara Securities Pty Limited	278,730	0.50
Mr Michael Dalling + Mr Neil Bishop <Michael Dalling Super A/C>	273,266	0.49
Mr Glen Johnson	220,000	0.39
A J McDonald Pty Ltd	202,273	0.36
Mr Andrew Robert Brown	200,000	0.36
International Business Network (Services) Pty Ltd	200,000	0.36
Aerofen Pty Ltd <Hoole Super Fund A/C>	182,300	0.33
Mr Rajeshkumar Harikrushna Soni	175,000	0.31
<b>TOTAL</b>	<b>48,534,867</b>	<b>86.54</b>
<b>LISTED OPTIONS BLTOA ON ISSUE AT 31 JULY 2009</b>	<b>56,081,915</b>	

h. Restricted securities

There are no securities on issue subject to restriction agreements.

i. Unquoted securities

As at the date of this report, the Company has unquoted securities as follows:

Details of Security	Grant Date	Expiry Date	Exercise Price	Number
Options – Other	30-Sep-03	30-Sep-13	\$0.03	17,560
Options – Other	06-Nov-08 & 06-Feb-09	31-Dec-12	\$0.10	22,244,444
Strategic Advisor Warrants	4-Aug-04	4-Aug-14	\$0.90	6,126,962
Strategic Advisor Warrants	18-May-09	16-Apr-14	\$0.10	300,000
Options - Directors	17-May-04	30-Sep-13	\$0.17	1,953,125
Options - NED	28-Nov-08	31-Dec-12	\$0.131	4,666,666
Options - ESOP	4-Sep-06	4-Sep-11	\$0.0224	3,000,000
Options - ESOP	14-Dec-06	14-Dec-11	\$0.0599	1,000,000
Options - ESOP	21-Feb-08	8-Oct-12	\$0.114	1,000,000
Options - ESOP	21-Feb-08	31-Dec-12	\$0.115	3,308,334
<b>TOTAL</b>				<b>43,617,091</b>

### 2. On-Market Buy Back

There is currently no on-market buy back.

### 3. Listing on Exchanges

Trading of the Company's securities is available on the Australian Stock Exchange.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

**LIST OF PATENTS**

Patent/Application Number	Invention Title	Inventor(s)	Patent Summary
US 6,573,099	GENETIC CONSTRUCTS FOR DELAYING OR REPRESSING THE EXPRESSION OF A TARGET GENE*	Graham, Michael W Rice, Robert N Waterhouse, Peter Wang, MingBo	The present invention relates generally to synthetic genes for modifying endogenous gene expression in a cell, tissue or organ of a transgenic organism, in particular a transgenic animal or plant. More particularly, the present invention provides novel synthetic genes and genetic constructs which are capable of repressing delaying or otherwise reducing the expression of an endogenous gene or a target gene in an organism when introduced thereto.
<b>PCT/ AU99/00195 (WO99/49029)</b> AU 743316 AU 2005202658 AU 2005211538 AU 2005209648 AU 2007201023 AU 2008249157 BR PI9908967.0 BR PI9917642.4 CA 2323726 CA 2487328 CA 2513336 CN 99804255.2 CN 200510083325.1 CZ PV2000-3346 (295108) EP 04015041.9 EP 05013010.3 EP 07008204.5 UK GB2353282 HK 1035742 HG PO101225 HG PO5000631 IN 2000/00169/DE IN 3413/DELNP/2005 IN 3901/DELNP/2005 JP 2000-537990 JP 2005-223953 JP 2007-302237 JP 2009-161847 KR 7010419/00 KR 7005341/2006 MX PA/a/2000/008631 MX PA/a/2005/006838 NZ 506648 NZ 547283 PL P-343064 PL P-377017 SG 75542 SG 200205122.5 SG 30312226 SL PV1372-2000 ZA 2000/4507	CONTROL OF GENE EXPRESSION *	Graham, Michael W Rice, Robert N Waterhouse, Peter Wang, MingBo	The present invention relates generally to a method of modifying gene expression and to synthetic genes for modifying endogenous gene expression in a cell, tissue or organ of a transgenic organism, in particular a transgenic animal or plant. More particularly, the present invention utilises recombinant DNA technology post-transcriptionally modify or modulate the expression of a target gene in a cell, tissue, organ or whole organism, thereby producing novel phenotypes. Novel synthetic genes and genetic constructs which are capable or repressing delaying or otherwise reducing the expression of an endogenous gene or a target gene in an organism when introduced thereto are also provided.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

Patent/Application Number	Invention Title	Inventor(s)	Patent Summary
US 10/821,726 US 10/646,070 US 10/759,841 US 10/346,853 US 11/218,999	SYNTHETIC GENES AND GENETIC CONSTRUCTS COMPRISING THE SAME*	Waterhouse, Peter Graham, Michael Wang, MingBo Rice, Robert N	<p>The present invention relates to a method of modifying gene expression and to synthetic genes for modifying endogenous gene expression in a cell, tissue or organ of a transgenic organism, in particular a transgenic animal or plant.</p> <p>More particularly, the present invention utilises recombinant DNA technology to post-transcriptionally modify or modulate the expression of a target gene in a cell, tissue, organ or whole organism, thereby producing novel phenotypes.</p> <p>Novel synthetic genes and constructs which are capable of repressing delaying or otherwise reducing the expression of an endogenous gene or a target gene in an organism when introduced thereto are also provided.</p>
PCT/AU2001/000297 UK GB2377221 SG P-91678 ZA 2002/7428 BR 0109269-3 JP 2001-569332	GENETIC SILENCING	Graham, Michael W Rice, Robert N Reed, Kenneth C Murphy, Kathleen	<p>The present invention relates generally to a method of inducing, promoting or otherwise facilitating a change in the phenotype of an animal cell or group of animal cells including a animal comprising said cells. The modulation of phenotypic expression is conveniently accomplished via genotypic manipulation through such means as reducing translation of transcript to proteinaceous product. The ability to induce, promote or otherwise facilitate the silencing of expressible genetic sequences provides a means for modulating the phenotype in, for example, the medical, veterinary and the animal husbandry industries.</p> <p>The modulation of phenotypic expression may be achieved with a genetic construct comprising a nucleotide sequence substantially identical to an endogenous target sequence of nucleotides in the genome of a mammalian cell, and a nucleotide sequence substantially complementary to said endogenous target nucleotide sequence, wherein the nucleotide sequences are separated by a spacer sequence, and upon introduction of said genetic construct to said animal cell, an RNA transcript resulting from transcription of a gene comprising said endogenous target sequence of nucleotides exhibits an altered capacity for translation into a proteinaceous product.</p> <p>Expressible genetic sequences contemplated by the present invention including not only genes normally resident in a particular animal cell (i.e. indigenous genes) but also genes introduced through recombinant means or through infection by pathogenic agents such as viruses.</p>

**BENITEC LIMITED – 2009 ANNUAL REPORT**

Patent/Application Number	Invention Title	Inventor(s)	Patent Summary
<b>PCT/AU04/00075</b> US 10/861191 CA 2527907 EP 04735856.9 IL 172191 JP 2006/508084 SG 200507474-5 ZA 2005/09813 AU 2004243347 AU 2009202763 NZ 543815 NZ 575242	DOUBLE-STRANDED NUCLEIC ACID	Graham, Michael W Rice, Robert N Roelvink, Petrus W Suhy, David A Kolkykhalov, Alexander A Harrison, Bruce T Reed, Kenneth C	The invention is directed towards constructs for RNAi techniques. The invention provides a ribonucleic acid (RNA) for use as interfering RNA in gene silencing techniques to silence a target gene comprising in a 5' to 3' direction at least four sequences being a first and second effector sequence 17 to 21 nucleotides in length; a sequence substantially complementary to the second effector sequence; and a sequence substantially complementary to the first effector sequence; wherein the complementary sequences are capable of forming double stranded regions with their respective effector sequences and wherein at least one of the four sequences is substantially identical to the predicted transcript of a region of the target gene; and the RNA further comprising a spacing sequence of one or more nucleotides, the spacing sequence being located between and spacing the first effector sequence and the second effector sequence, or between the sequence substantially complementary to the second effector sequence and the sequence substantially complementary to the first effector sequence.
<b>PCT/US2005/0017447</b> US 11/072592 AU 2005222084 CA 2558771 CN 0580013979.5 EP 05727680.0 IL 177862 JP 2007-502094 KR 20067020986 NZ 550284 NZ 575361	MULTIPLE PROMOTER EXPRESSION CASSETTES FOR SIMULTANEOUS DELIVERY OF RNAI AGENTS	Roelvink, Petrus W Suhy, David A Kolkykhalov, Alexander A	The present invention provides multiple-promoter expression cassettes for simultaneous delivery of RNAi, preferably to mammalian cells in vivo. In one preferred embodiment of the invention the genetic construct comprises a multi-promoter expression cassette comprising at least three promoter/RNAi/terminator components wherein each promoter/RNAi/terminator component comprises a promoter element, a terminator element and a sequence coding an RNAi species operably linked to the promoter element and the terminator element, at least one of the RNAi species being coded by a sequence of SEQ ID No: 22. Other RNAi species are preferably encoded by SEQ ID NO: 6 and/or 19.
<b>PCT/US2005/038139</b> AU 2005299672 CA 2583826 SG 200702839-2 EP 05812449.6	THERAPEUTIC RNAi AGENTS FOR TREATING PSORIASIS	Reed, Kenneth C Brashears, Sarah J	The present invention provides compositions and methods suitable for delivering RNAi agents against genetic targets in skin tissues so as to treat psoriasis. A number of genetic constructs may be used to express the RNAi agents in the cell.

**BENITEC LIMITED – 2009 ANNUAL REPORT**

Patent/Application Number	Invention Title	Inventor(s)	Patent Summary
<b>PCT/US2006/000091</b> AU 2006204120 CA 2593509 US 11/794726 IL 184434 JP 2007-550422 SG 200704975-2 EP 06717315.3	RNAi AGENTS FOR MAINTENANCE OF STEM CELLS	Evertsz, Elizabeth Brashears, Sarah J	The present invention provides compositions and methods suitable for delivering RNAi agents against genetic targets in stem cells so as to direct cell growth and differentiation. A number of genetic constructs may be used to express the RNAi agents in the cell.
<b>PCT/US2006/004003</b> US 11/347028 US 11/883645 CN 200680010811.3 HK 08112495.7 EP 06734372.3 CA 2596711 AU 2006210443 IL 185315 NZ 560936	RNAi EXPRESSION CONSTRUCTS	Roelvink, Petrus W Suhy David A Kolkykhalov, Alexander A Couto, Linda	The present invention provides compositions and methods suitable for expressing RNAi agents against a gene or genes in cells, tissues or organs of interest in vitro and in vivo so as to treat diseases or disorders. In one preferred embodiment of the invention the genetic construct comprises an RNAi expression cassette encoding two or more RNAi agents, the RNAi expression cassette comprising a promoter for promoting expression of the two or more RNAi agents, the RNAi agents when expressed each comprising a stem-loop structure, wherein the stem loop structures of the RNAi agents are separated by one or more spacer regions, and wherein at least one of the stem-loop structures is encoded by a sequence according to SEQ ID No: 6 or SEQ ID No: 42. Other RNAi species are preferably encoded by SEQ ID NO: 39.
US 11/355516	RNAi EXPRESSION CONSTRUCTS WITH LIVER-SPECIFIC ENHANCER/ PROMOTER	Roelvink, Petrus W Suhy, David A Kolkykhalov, Alexander A Kay, Mark A Giering, Jeffery C	The present invention provides compositions and methods suitable for RNAi specifically in the liver so as to treat diseases or disorders. The DNA directed RNA interference (ddRNAi) expression construct comprise specific enhancer elements and promoters for liver expression. The RNAi agents encoded by the construct target hepatitis virus genes that are desired to be repressed in a liver cell or whole liver.
<b>PCT/US2006/016507</b> US 12/371211 IL 186872 CN 200680022921.1 CA 2606002 EP 06758809.5 AU 2006239169 HK 09100523.7	MULTIPLE RNAi EXPRESSION CASSETTES FOR SIMULTANEOUS DELIVERY OF RNAi AGENTS RELATED TO HETEROZYGOTIC EXPRESSION PATTERNS	Evertsz, Elisabeth Brashears, Sarah J	The present invention provides compositions and methods suitable for expressing multiple RNAi agents against an allele or alleles of interest in a heterozygotic allelic pair so as to treat diseases, without affecting the expression of the other allele in the heterozygotic pair. The expression constructs preferably allow for stable expression of the RNAi agents.
US 11/731198	MINIGENE EXPRESSION CASSETTE	Kay, Mark A Hebert, Michael L Roelvink, Petrus W Suhy, David A	The present invention provides compositions and methods suitable for RNAi specifically in the liver so as to treat diseases or disorders. The compositions include an expression cassette that includes a synthetic enhancer, a tranthyretin promoter, and a nucleotide sequence operably under the control of the synthetic enhancer and the tranthyretin promoter. The expression cassette may be used in an adeno-associated viral (AAV) vector, such as a self-complementary AAV vector.