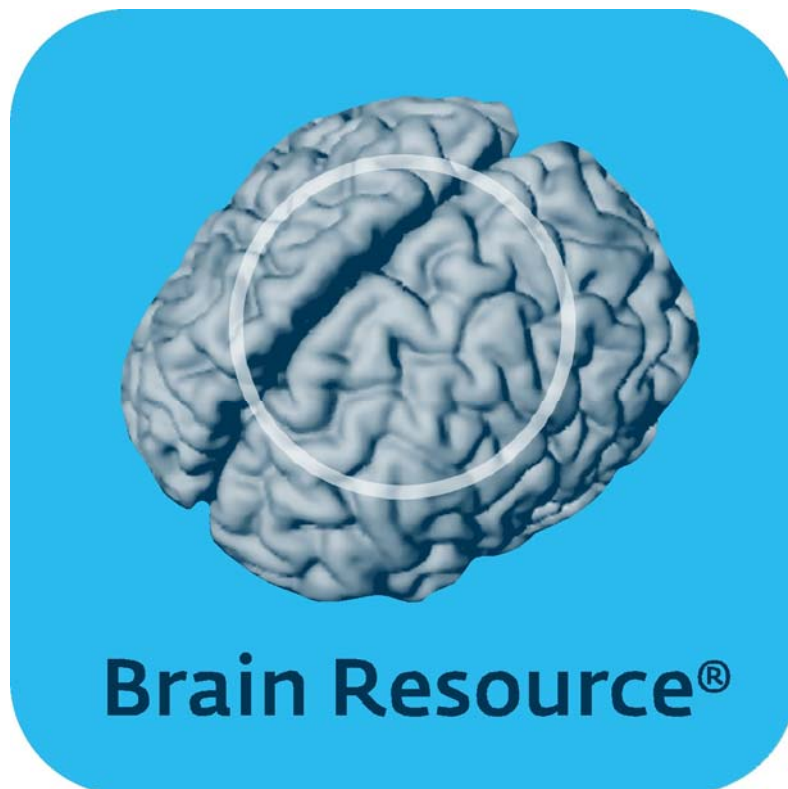


Brain Resource Ltd



Annual Report 2008

CORPORATE DIRECTORY

BRAIN RESOURCE LTD (ABN 24 094 069 682) (Name changed 27 November 2007 from The Brain Resource Company Limited)

BOARD OF DIRECTORS

Evian Gordon (Executive Chairman and CEO)
Dan Segal (Executive Director)
Nestor Hinzack (Non-Executive Director)
Russell Jamison (Non-Executive Director)
Brian Joffe (Non-Executive Director)
Paul Keating (Non-Executive Director)
Arthur Toga (Non-Executive Director)

COMPANY SECRETARY

Robert Waring

AUDITORS

Ernst & Young

REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE

Level 12, 235 Jones Street, Ultimo, Sydney, NSW 2007

Telephone: +61 (0) 2 9213 6666

Facsimile: +61 (0) 2 9211 2710

Email: info@brainresource.com

Website: <http://www.brainresource.com>

SHARE REGISTRY

Registries Limited

Level 2, 28 Margaret Street, Sydney NSW 2000 / PO Box R67, Royal Exchange, Sydney NSW 1223

Telephone: +61 (0) 2 9290 9600

Facsimile: +61 (0) 2 9279 0664

STOCK EXCHANGE LISTING

Listed on Australian Stock Exchange Limited - ASX Code: **BRC**



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Chairman's Report

18 August 2008

Dear Shareholders

Our agreement with OptumHealth, the largest healthcare provider in the US, was a potentially transformative milestone achieved during the year, facilitating our entry into the US Managed Care market.

OptumHealth, coupled with our progress in the largest Personalised Medicine study in Depression and Attention Deficit Disorder of its kind in the world, puts Brain Resource in a solid position for future growth.

Brain Resource is also in a strong financial position, with a closing cash balance of \$18.5m.

We are pleased to report on our seventh year of operations and would like to extend our appreciation for your ongoing support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'E Gordon', with a stylized flourish at the end.

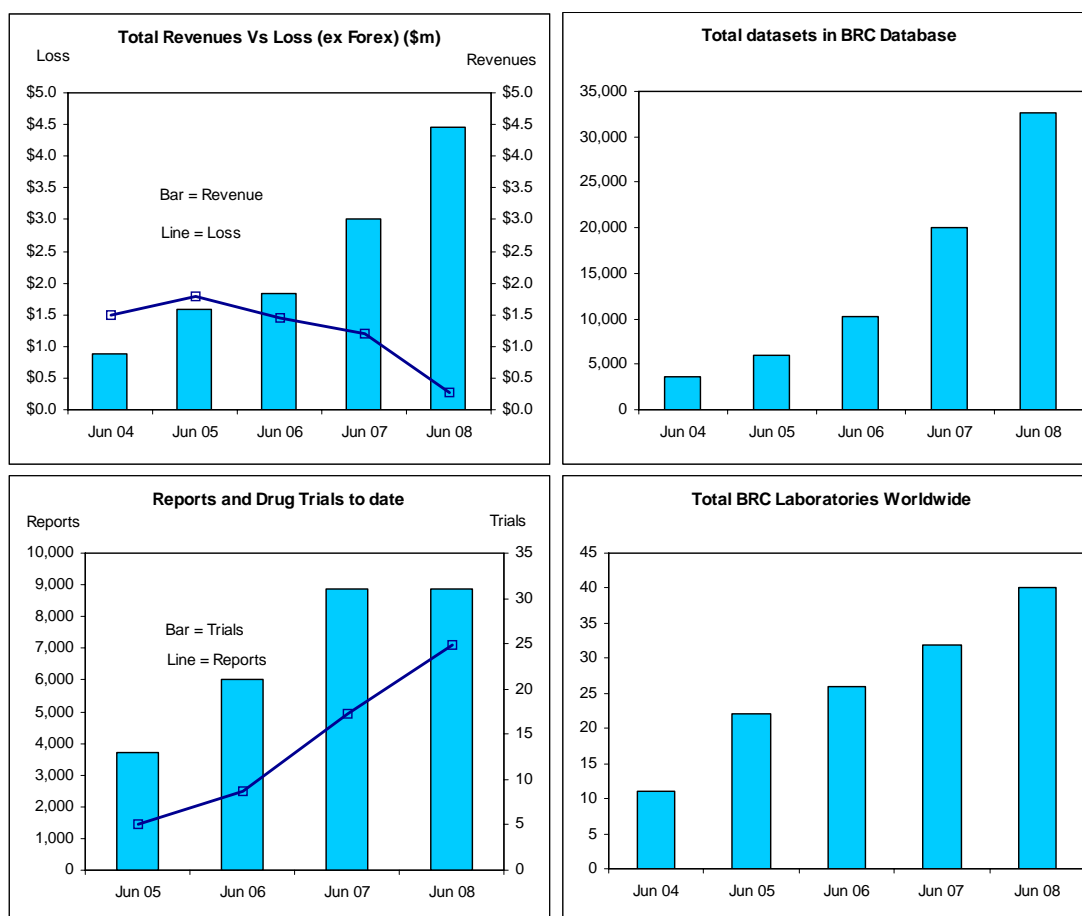
Dr Evian Gordon
Chairman of Directors

Operational Review

Highlights – Brain Resource in the strongest position since inception

- Strong financial position with a closing cash balance of \$18.5m.
- Loss before foreign exchange losses reduced by 78%, trending towards 2009 profitability.
- US\$6m agreement with OptumHealth, the largest US healthcare provider, with a number of clients now using the service.
- The world's largest Depression and Attention Deficit Disorder Personalised Medicine Marker study, first subject acquisitions soon to commence.
- Report volumes continue to grow, with more than 7,000 supplied during the current year to users in 10 countries.
- Brain Resource International Database now exceeds 32,000 datasets, with growth on-going.
- Growing international scientific credibility through a publication rate of 1 paper per week.

Summary Data

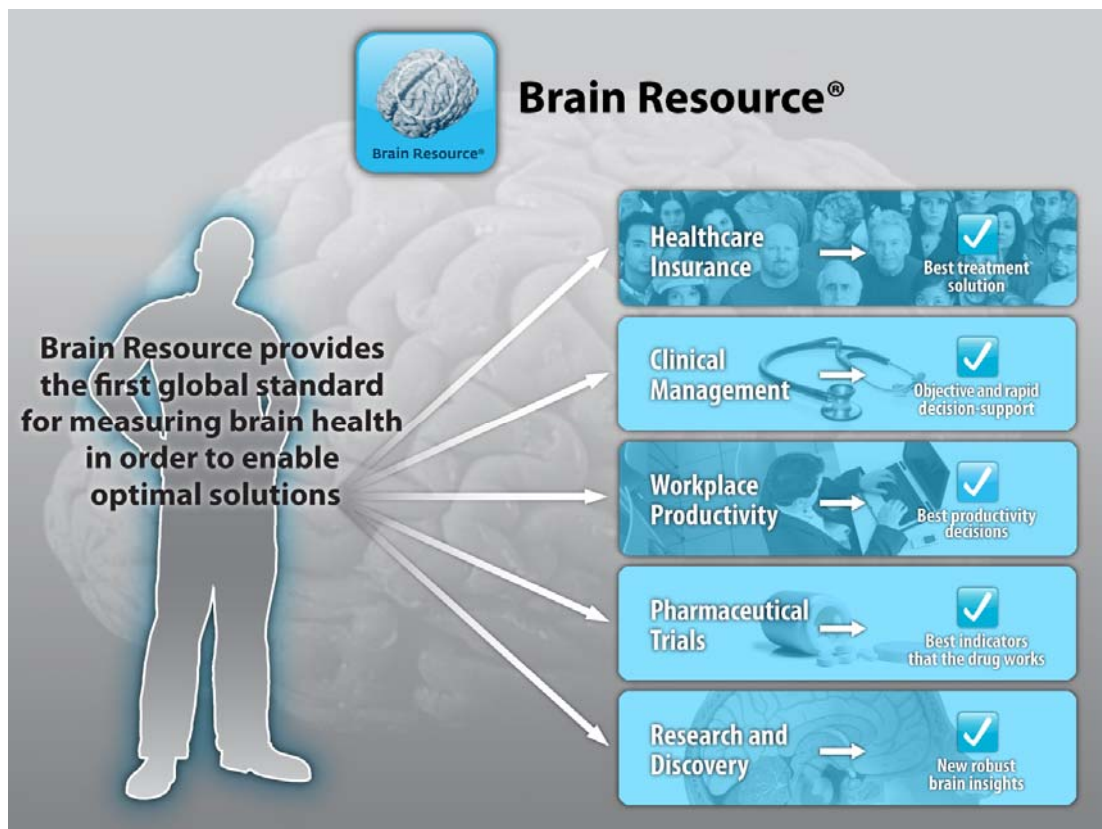


Operational Review

About Brain Resource

Brain Resource provides the first global standardised measurement of brain health, enabling the right brain health solution to be matched to the right person (Personalised Medicine). 'If you can't measure it, you can't manage it.'

Brain Resource services have application to the following user groups (listed on the right of the figure below).



1. Healthcare Insurance: OptumHealth Agreement

During the year, OptumHealth and Brain Resource entered into an agreement that provides for Brain Resource's Web Management System to be incorporated within OptumHealth's offerings in the US Managed Care market. Brain Resource has granted an exclusivity for a three year term and is to be paid annual licence fees amounting to US\$6m over that term. There is also an escalation clause if the base report target number is exceeded.

OptumHealth, a division of UnitedHealth Group (NYSE:UNH), is one of the US's largest health and wellbeing companies. OptumHealth is a leading provider of emotional wellness services, currently serving more than 43 million Americans. It provides innovative health care solutions, including behavioral health, employee assistance, work/life and pharmacy management services. Clients include Fortune 50 companies, commercial health plans and public sector entities. They partner with more than 80,000 clinicians and more than 3,500 care facilities nationwide.

Operational Review

1.1 Brain Resource's web products are being systematically rolled out

A recent OptumHealth's Press Release about Brain Resource's "New Brain Health Capabilities", highlighted the potentially transformative nature of the opportunity.

"This easy-to-use assessment provides useful information quickly to use in providing people with the right treatment," said Gregory A. Bayer, Ph.D., Chief Executive Officer for OptumHealth's Behavioral Solutions business. "This can improve outcomes for people while helping them reduce their overall health care costs."

"The partnership of OptumHealth and Brain Resource begins the transformation of mental health services to more Personalized Medicine with recommendations tailored to individuals' functioning," Bayer said. "It continues our application of ever-more effective interventions to improve our member's health and wellbeing."

"OptumHealth Behavioral Solutions' capabilities are designed to improve outcomes and lower overall medical costs for customers. These capabilities include:

- Helping members with chronic medical conditions manage potential behavioral health issues that might impede medical treatment and clinical improvement;
- Reducing short-term mental health disability-claims costs by helping disabled members return to work quickly;
- Improving outcomes through employee assistance programs; and
- Creating greater access to care through telephonic, online services and online self-directed interactive wellness programs."



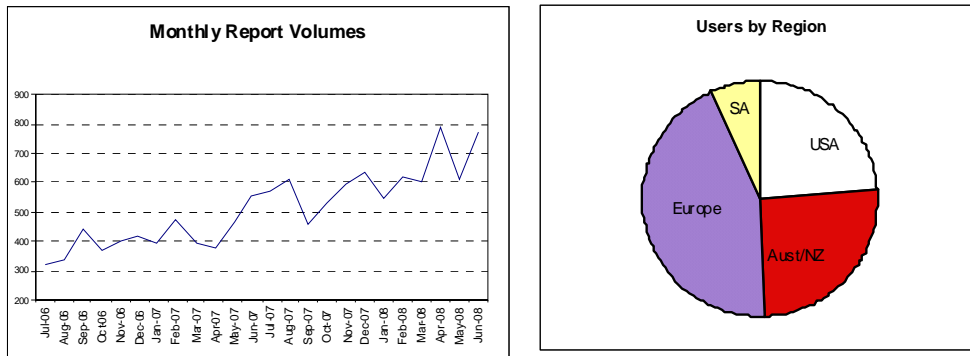
The rollout of Brain Resource products to OptumHealth clients is being undertaken on a phased basis, given the scale of the OptumHealth client base and the requirements to properly support this new offering. Employer groups are among the first being targeted, through two existing OptumHealth programs: Life Solutions and Employee Assistance Plans. Both plans are aimed at employer groups to boost employee productivity and more efficiently manage medical costs and disability claims.

Operational Review

2. Clinical Management: Reports

Brain Resource has over 200 clinicians in 10 countries using its assessment services.

The following graph shows that report volumes continued to increase, up just under 50% to more than 7,000.



3. Pharmaceutical Trials and iSPOT

Brain Resource's \$18m International Study to Identify Markers for the Prediction of Optimised Treatment Response ('iSPOT') is the largest study of its kind in world, with real potential to transform and personalise the treatment of these disorders.

iSPOT is about shifting the current reliance on the clinical observation of signs and symptoms, with its high degree of subjectivity, to more stable and quantitative gene/brain/cognition Markers, to predict personalised treatment response (which specific drug a person is most likely to respond to).

iSPOT has the requisite scale to deliver meaningful outcomes with data to be collected: (a) from 4,000 subjects before and after medication at around 30 sites in the US, Europe and Australasia; and (b) using Brain Resource's unique integration of gene/brain/cognition data acquisition technologies.

We are pleased to report that the first ethics approvals for iSPOT, covering Depression and Attention Deficit Hyperactivity Disorder, have now been received for the first 5 sites. The current roll-out plan, together with the progress being made in gaining ethics approvals, factors having 7 sites commissioned and site staff trained by the start of the fourth quarter of this calendar year. Accordingly, these sites should be in a position to commence subject acquisition soon thereafter

Successful identification of these Markers would have widespread benefit to better enable clinicians to match the right drug to the right person (Personalised Medicine).

3.1 Pharmaceutical Trials

Brain Resource has undertaken trials with 12 major pharmaceutical companies. However, consistent with our focus on OptumHealth and Pharmaceutical Marker development, we have become far more selective in the type of pharmaceutical company R&D contracts that we have pursued. Accordingly, this has resulted in a reduced contribution from this segment in our overall contracts on hand. These were

Operational Review

a very important part of establishing our business, which significantly helped grow our credibility. However many contracts undertaken to date have had margins unreflective of the challenge of the work and the value we have contributed.

Illustrative of this focus, our sixth trial with AstraZeneca since 2005 is underway in 95 sites in the USA and Canada. We will continue to seek business on that scale.

4. Research and Discovery

Brain Resource's credibility as the first global standard for brain assessment, continues to be enhanced by the independent scientific publication of over 200 papers in international journals (an average, 1 paper per week during the last year), using Brain Resource methodology and data. There are currently around 160 academic group members of BRAINnet, the consortium of independent scientists that oversee access to the Brain Resource International Database.

5. New initiatives - MyBrainSolutions Portal

5.1 www.MyBrainSolutions.com

Brain Resource will be launching a new "Self Development" portal in the fourth quarter of calendar 2008: www.MyBrainSolutions.com.

This portal represents an extension of Brain Resource's methodologies to servicing the Wellbeing market, a rapidly growing part of the healthcare spectrum, focusing on prevention, self development and peak performance. Brain solutions are a rapidly emerging segment of Wellbeing, including brain fitness and stress reduction.

Many companies can produce brain related products. None are however better placed than Brain Resource to Personalize and Validate them. That is, ensuring that the right solution is matched to the right person and showing that there is scientific evidence for any claimed benefits. These are both essential for building customer confidence that the product genuinely causes positive changes in their brain and behaviour.

Brain Resource's global standard, unique database methodology and its suite of easy to use web-enabled brain assessment products, allows any solution to be validated.

The goal is to make www.MyBrainSolutions.com the authority website for brain health and peak performance products.

5.2 Workplace Productivity

This is an early stage opportunity, with Brain Resource's workplace web products having been trialled by 10 companies.

Operational Review

6. Summary of Intellectual Property, Sales and Milestones

6.1 Intellectual Property

- Standardised data acquisition allows data to be easily collected (using the Web, Touchscreen, Brain Laboratory) worldwide and databased.
- Brain Resource International Database currently has more than 32,000 subject datasets collected in 10 countries.
- Each subject's dataset includes 165 primary measures of brain function, comprising around 100,000 data points.
- Database provides the reference frame for quantifying relative performance and for the development of novel analysis algorithms, which grow in power with database growth.
- Reports are generated from subject data that is sent for central processing against the database.
- Developing Brain Markers for delivering Personalized Medicine and new drug discovery.
- Largest Depression Marker study in the world targeting novel Markers for treatment prediction in Depression and ADHD.
- Growing credibility for our standard, including around 200 scientific publications and a global network of 160 academic members accessing data.

6.2 Sales of Reports and database services

- Supplying US Managed Care through OptumHealth (UnitedHealth Group).
- Delivered services to 12 global pharmaceutical companies and 30 R&D trials.
- Delivered services to more than 300 clinicians in 10 countries.
- Delivered more than 7,000 reports during the current year and 16,000 to date.
- Currently contracts on hand worth more than \$24m.
- Developing a www.MyBrainSolutions.com portal for Wellbeing.

6.3 Top 3 forthcoming milestones

- Acceleration of Brain Resource product roll out within the OptumHealth Employer Assisted Program – Q4 calendar 2008.
- Launch of www.MyBrainSolutions.com - Q4 calendar 2008.
- First Marker outcomes from iSPOT global 4,000 subject 30 site study - expected end calendar 2009.

Operational Review

7. Discussion of 2008 financial performance

7.1 50% increase in service revenues

Sales (A\$)	2008	2007	Growth
Marker Development & Drug Trials	2,065,758	1,712,707	21%
Reports	1,051,782	362,209	190%
Service revenues	3,117,540	2,074,916	50%
Equipment	131,480	311,477	-58%
Total Sales	3,249,020	2,386,393	36%
Government grant (Export Market Development)	89,533	150,000	-40%
Interest received	1,108,368	483,285	129%
Total revenues from ordinary activities	4,446,921	3,019,678	47%

(a) Marker development and Drug Trials

Growth in service revenues has been maintained, up 50%, despite transitioning our focus from being heavily dependent on pharmaceutical services to projects where we either get a benefit in Intellectual Property outcomes or the margin reflects the value of our contribution. This is typified in the iSPOT contract which contributed around \$750,000 to current year revenues. Brain Resource currently has services contracts worth more than \$24m currently on hand. Note that around \$18m of these contracts been received in advance and is included in our cash balance.

(b) Reports

Report revenues gained a significant uplift from our agreement with OptumHealth as well as growth of around 34% from other report sources. Average revenue per report declined as we increased focus on our less labour intensive (touchscreen and web as compared to the full laboratory) but lower dollar value offerings. Reports service revenues continue to grow despite being allocated only relatively minimal internal marketing resources.

(c) Other

Equipment sales growth remains variable given these sales are more facilitatory in nature, with our focus more on the reports generated using this hardware. A further consideration is that this third party hardware is increasingly being supplied directly by Brain Resource agents to new Brain Resource clients. Export Market Development Grants declined due to the previous Government's cut-backs in the funding for this scheme which caused an over provision in the 2007 year which has been adjusted in the current year.

(d) iSPOT explanatory note

The 2008 Marker Development and Drug Trials amount includes around \$750,000 of revenues from the iSPOT contract. Brain Resource's accounting policies (compliant with Australian equivalents to International Financial Reporting Standards) distinguish Marker development from Drug trials. In Marker development, Brain Resource retains a right to use and significantly benefit from the Intellectual Property created during the collaboration. Payments received from a collaborating partner for participating in the collaboration and undertaking the work are recognised as revenues, reflecting the relative stage of project progress. The associated costs are

Operational Review

capitalised to the extent that the future benefits are expected to at least equal those costs with any excess expensed as incurred, this consistent with our policy for the treatment of Intangible Assets. Capitalised amounts are reviewed periodically to ensure that there is no impairment and also to determine an appropriate sales linked amortisation point. Accordingly, iSPOT's impact on accounting profit is significant.

7.2 Minor cost increase excluding foreign exchange loss

Expenses (A\$)	2008	2007	Growth
Cost of sales - third party costs & commissions	523,292	882,508	-41%
Depreciation and Amortisation	108,317	101,084	7%
Corporate (insurance, legal, accounting, listing)	359,122	398,764	-10%
Office (rent, supplies & miscellaneous)	270,807	290,500	-7%
Salaries and consultancy fees	3,096,337	2,287,747	35%
Marketing and agent support	157,568	153,162	3%
Communications	99,603	89,428	11%
Travel	223,855	256,571	-13%
Foreign Exchange Losses	1,241,686	258,718	380%
Share based payments	58,484	38,315	53%
Other	62,864	70,256	-11%
Total Expenses	6,201,935	4,827,053	28%
Total Expenses (excluding Foreign Exchange Losses)	4,960,249	4,568,335	9%

Total expenses (excluding foreign exchange losses) increased around 9%, this consistent with the overall growth of the business. The large foreign exchange losses were primarily due to the appreciation of the Australian Dollar relative to the US Dollar and its impact on our 30 June 2008 cash holdings. Our policy is to hold cash deposits in currencies aligned with planned future expenditures, thereby ensuring constant purchasing power – current holdings are around 45% in each of US and Australian Dollars, with the balance held in Pound Sterling. Note that if we applied the foreign exchange rates prevailing at the time of the completion of this report to the 30 June 2008 cash balances, this foreign exchange loss would have reduced by around 75%.

Salaries remain the largest expense. Brain Resource employed around 39 full time equivalents (2007: 29). Cost reductions have occurred in certain elements of expenditure as a consequence of both our increased business focus and, as discussed above (note 7.1 (d)), the capitalisation of expenditures associated with iSPOT. The amount capitalised for iSPOT in 2008 amounted to around \$750,000, with a large part being salaries.

7.3 78% Reduction in losses excluding foreign exchange losses

Loss (A\$) for year ended June	2008	2007	Growth
Loss after tax (excluding Foreign Exchange Losses)	263,328	1,195,860	-78%
Foreign Exchange Losses	1,241,686	258,718	380%
Loss after tax	1,505,014	1,454,578	3%

Operational Review

Losses reduced by close to 78% when the impact of the foreign exchange loss is excluded. This included the benefit from the increase in interest income arising from our cash holdings. This trend is consistent with our guidance provided in the December 2007 result that we expected to be heading towards profitability in the 2009 year, subject to various caveats.

7.4 \$18.5m Cash balance

The above trend was mirrored in the cashflow from operating activities, which showed a deficit for the year of around \$74,000. Note the prior year cashflow from operating activities included the cash paid in advance under the iSPOT contract. The increase in investing activities relates to the capitalisation of development costs relating to the growth of the iSPOT database.

Cash (A\$) for year ended June	2008	2007
Net cash flows from operating activities	(73,903)	16,871,735
Net cash flows from investing activities	(1,563,424)	(1,044,734)
Net cash flows from financing activities	28,750	1,821,936
Net increase (decrease) in cash	(1,608,577)	17,648,937
Closing cash balance	18,544,258	21,306,760
Total current monthly Operating Expenditure*	399,454	369,078
<i>Growth relative to prior 12 months</i>	8%	26%
Total current monthly Capital Expenditure	131,999	91,792
<i>Growth relative to prior 12 months</i>	44%	66%

* excludes non-cash and unrealised expenses, that is foreign exchange losses, depreciation & amortisation and share based payments.

8. Outlook

We have seen a significant convergence of outcomes over the last 12 months. The OptumHealth relationship provides us with a wide distribution capability for both our existing services and future outcomes. iSPOT has provided the funding to allow scaling of our Marker development work.

Brain Resource is in a relatively strong position with \$24m of contracts on hand, providing a degree of predictability over future revenues. Based on various assumptions, these contracts could contribute revenues in the region of \$4m for 2009 and \$6m for 2010. This excludes additional revenues also expected in that period. Accordingly, we continue to have a reasonable level of confidence in forecasting positive Earnings Before Tax in 2009 and considerable growth in the ensuing years.

Commercialising brain function is however complex and hence any forecast needs to factor the very real associated risks. Also, we will be incurring costs for our new MyBrainSolutions.com initiative and the degree to which these are expensed will impact. Risks include: (1) trial progress and the pace of subject acquisitions could be slower than expected, impacting the timing of revenue derivation (commencing subject acquisitions at each site requires ethics approval before commencing); (2) that trial expenditures could exceed budgets, a risk that can never be totally discounted in a large scale trial like iSPOT; (3) costs associated with the managed care opportunity could vary significantly from budget – the magnitude of this opportunity is such that a faster uptake could bring forward planned expenditures to ensure that demand is satisfied; and (4) continued volatility in currency markets.

FINANCIAL STATEMENTS AND REPORTS
YEAR ENDED 30 JUNE 2008

REPORT OF THE DIRECTORS

Your Directors submit their report for the year ended 30 June 2008.

DIRECTORS

The following persons held office as directors during or since the end of the financial year.

Dr Evian Gordon, BSc (Hons), PhD, MBBCh (Chairman and Chief Executive Officer)

Dr Gordon has over 25 years of experience in human brain research. He was the director of the Brain Dynamics Centre at Westmead Hospital and a senior lecturer in the Department of Psychological Medicine at the University of Sydney. He edited the book "Integrative Neuroscience" and has more than 200 publications.

Dan Segal, BCom, CA, BSc (Hons) MSc (Chief Operating Officer)

Dan Segal has worked in the accounting and finance industry for more than a decade. He has previously worked for Arthur Andersen and Salomon Smith Barney where he was a Director in the Equities Research Department. He has been a member of the Institute of Chartered Accountants since 1986.

The Hon Paul Keating, (Non-Executive Director)

The Hon Paul Keating was Prime Minister of Australia from 1991 to 1996. As both Treasurer and Prime Minister, he was the driver of a period of fundamental economic reform and social re-orientation. Since leaving office, he has maintained a close interest in the policy issues with which he was associated in office.

Nestor Hinzack, BEc, FCPA, FFin (Non-Executive Director)

Nestor Hinzack has over 30 years experience in stockbroking as a partner and director of several major stockbroking firms. His background is predominantly in research as both analyst and as a research manager, though his experience extends to corporate, institutional and private client advisory roles.

Professor Arthur Toga, PhD (Non-Executive Director and Chairman of the Scientific Advisory Committee)

Professor Toga is a Professor of Neurology and Director of the Neuroimaging Laboratory at UCLA. As co-principal investigator of The International Consortium for Brain Mapping, he pioneered the use of databases for brain structure. He is Founding Editor of "Neuroimage", a leading scientific journal in the field of brain imaging.

Russell Jamison, BA, LLB (Non-Executive Director)

Russell Jamison has practiced as a Barrister, Solicitor and Notary Public for the past 30 years. He is the author of a legal text book and manages his own business with over 50 employees.

Brian Joffe CA (SA) (Non-Executive Director)

Brian Joffe founded The Bidvest Group Limited and is its current Chief Executive. Bidvest is a South African based company, listed on the Johannesburg Securities Exchange, with international operations generating A\$14bn of revenues and employing more than 100,000.

COMPANY SECRETARY

Robert Waring BEc, CA, FFin, ASIA, FAICD. Robert Waring has more than 30 years experience in financial and corporate roles including more than 15 years in company secretarial roles for ASX listed companies.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Directors' interests in shares and options as at 30 June 2008 and at the date of this report are set out in the remuneration report and Note 16 to the financial statements.

ACTIVITIES

The principal continuing activity of the Company is the provision of brain function analysis services.

RESULTS

The net consolidated result of operations after applicable income tax benefit was a loss of \$1,505,014 (2007: loss \$1,454,578).

DIVIDENDS

No dividends were paid or proposed during the year.

REPORT OF THE DIRECTORS

REVIEW OF OPERATIONS

A review of the operations of the Company during the financial year and the results of those operations are contained in the Operational Review section of this report.

CORPORATE STRUCTURE

Brain Resource Ltd ('BR') is a company incorporated and domiciled in Australia (name changed from The Brain Resource Company Limited on 27 November 2007). It acts as the holding company for four wholly owned subsidiaries: BRC Operations Pty Ltd; BRC IP Pty Ltd; BRC Distribution Pty Ltd; and BRC International Pty Ltd.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Directors are not aware of any significant changes in the state of affairs of the Company occurring during the financial year, other than as disclosed in the operational review provided in this report.

MATTERS SUBSEQUENT TO END OF FINANCIAL YEAR

Directors are not aware of any significant matters which have arisen subsequent to the end of the financial year and which have significantly affected, or may significantly affect, the operations, the results or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

It is not possible to accurately postulate likely developments and expected future results other than as described in the Operational Review.

DIRECTORS' EMOLUMENTS

- i) Remuneration policy: Please refer to the report below for remuneration policy and details of Director emoluments paid by the Company and Consolidated entity during the year to 30 June 2008.
- ii) Valuation of Directors options: Directors were granted a total of 3.5 million options at the 2006 Annual General Meeting with a 50 cents exercise price which represented a significant premium to the last sale price of 25 cents per share at the time of notification.
- iii) Executive Officers: There are no executive officers other than the executive directors disclosed below in the remuneration report.

SHARE OPTIONS

Details of share options are disclosed in Note 13.

REMUNERATION REPORT (Audited)

i) Remuneration Policy

The Company has in place a remuneration committee, comprising two non executive directors Mr Hinzack and Mr Jamison, who review the remuneration of all Directors and executives (except for the directors, the company has no other executives). The Committee seeks independent external advice and market comparisons as necessary but Directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies. Remuneration levels, including participation in the Company's Share Option Scheme, are set to provide reasonable compensation in line with the Company's financial resources.

During the year no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

ii) Director emoluments paid by the Company and Consolidated entity during the year to 30 June 2008:

	Primary	Post Employment	Other	Total
	Salary & Fees	Superannuation	Equity Options	
2008 Executive Directors:				
E Gordon	211,009	18,990	2,567	232,566
D Segal	201,835	18,165	1,284	221,284
Total	412,844	37,155	3,851	453,850

REPORT OF THE DIRECTORS

2008 Non-Executive Directors:

N Hinzack	11,000	990	642	12,632
P Keating	11,000	990	3,851	15,841
A Toga	11,000	-	642	11,642
R Jamison	11,000	990	-	11,990
B Joffe	11,000	-	-	11,000
Total	55,000	2,970	5,135	63,105

2007 Executive Directors:

E Gordon	165,000	14,850	1,735	181,585
D Segal	137,500	12,413	867	150,780
Total	302,500	27,263	2,602	332,365

2007 Non-Executive Directors:

N Hinzack	11,000	495	434	11,929
P Keating	11,000	495	2,602	14,097
A Toga	11,000	-	434	11,434
R Jamison	11,000	495	-	11,495
B Joffe	11,000	-	-	11,000
Total	55,000	1,485	3,470	59,955

The Remuneration Committee recommended and the Board approved an increase in Executive Directors salaries, effective 1 July 2007. This is the first such increase since the company's inception in 2001.

There are continuous service agreements in place with the Executive Directors, Evian Gordon and Dan Segal, which set out a base salary and require 12 months notice to be given or the equivalent payment in lieu to be given upon termination by the company of such agreements. No other benefits either short term or long term have been received or are receivable by Directors. There were no other executives other than those mentioned above. No long term benefits or termination benefit payments were made to Directors during the year.

iii) Directors' Shareholdings and Options as at 30 June 2008:

Name	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2008	2007	2008	2007
Evian Gordon	11,356,248	11,356,248	1,000,000	1,000,000
Dan Segal	6,131,543	6,131,543	500,000	500,000
Paul Keating	575,000	575,000	1,500,000	1,500,000
Nestor Hinzack	605,000	605,000	250,000	250,000
Russell Jamison	-	-	-	-
Arthur Toga	287,500	287,500	250,000	250,000
Brian Joffe	2,880,000	2,880,000	-	-
	21,835,291	21,835,291	3,500,000	3,500,000

The grant date of the options was 26 October 2006. See Note 13c for the terms of the above options.

No additional shares have been issued to Directors during the current year. No additional shares or options have been issued since year end up to the date of this report.

Shares and options held by Directors include those held by the Directors and their director-related entities, including the spouses of such directors and relatives of such Directors. All shares and options, excluding those under Employee Share Option Scheme, were issued or granted on terms no more favorable than to other shareholders or option holders.

MEETINGS OF DIRECTORS

During the year to 30 June 2008 the Company's Directors held 4 Board meetings. E Gordon, D Segal, P Keating and N Hinzack were in attendance at all of the meetings. R Jamison attended 3 and B Joffe 2. A Toga

REPORT OF THE DIRECTORS

is not resident in Australia but was kept up to date with the company's activities through regular email and telephone briefings.

Directors, Messrs D Segal and N Hinzack are members of the Company's Audit Committee. The Committee reviews the Company's financial systems, accounting policies, half-year and annual financial statements. There were two Audit Committee meetings during the current year and both Directors attended both meetings.

Directors, Messrs N Hinzack and R Jamison are members of the Company's Remuneration Committee. There was one Remuneration Committee meeting during the current year and both Directors attended.

EMPLOYEES

There were 43 people working for the consolidated entity, based on the June 2008 payroll, being a mixture of full time staff, permanent part time and casuals (2007:36). This equated to around 39 full time equivalent employees (2007:29).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has paid a premium in respect of a contract insuring all the Directors against a liability incurred as an officer for certain costs or expenses to defend legal proceedings. The insurance contract prohibits the disclosure of the total amount of the premiums and a summary of the nature of the liabilities. The Company has not otherwise, either during or since the end of the financial year, indemnified or agreed to indemnify an officer of the company or any related body corporate against a liability incurred as such an officer.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is not aware of any specific requirements, as issued by the relevant environmental protection authorities, with which it has to comply.

AUDITOR INDEPENDENCE

The Directors have received a declaration of independence from the auditors, which is included on the following page.

Signed in Sydney on 18 August 2008 in accordance with a resolution of the Directors.



Dr Evian Gordon
Chairman of Directors

AUDITOR INDEPENDENCE



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of Brain Resource Limited

In relation to our audit of the financial report of Brain Resource Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A stylized signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of J K Haydon in black ink.

J K Haydon
Partner
18 August 2008

Liability limited by a scheme approved
under Professional Standards Legislation

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INCOME STATEMENT

Year ended 30 June	Note	Consolidated		BR	
		2008 \$	2007 \$	2008 \$	2007 \$
REVENUE AND OTHER INCOME	2	4,446,921	3,019,678	-	-
Cost of equipment and third party drug trial costs	3	(523,292)	(882,508)	-	-
Depreciation and amortisation	3	(108,317)	(101,084)	-	-
Insurance and professional fees		(359,122)	(398,764)	-	-
Rent, supplies & office costs		(270,807)	(290,500)	-	-
Salaries and consultancy fees		(3,096,337)	(2,287,747)	-	-
Marketing and agent support		(157,568)	(153,162)	-	-
Communications		(99,603)	(89,428)	-	-
Travel		(223,855)	(256,571)	-	-
Foreign Exchange (Losses)/ Gains		(1,241,686)	(258,718)	-	-
Share based payments		(58,484)	(38,315)	(58,484)	(38,315)
Other		(62,864)	(70,256)	(2,455)	(1,510)
Provision for non recovery	3	-	-	(1,300,000)	(1,250,000)
TOTAL EXPENSES		(6,201,935)	(4,827,053)	(1,360,939)	(1,289,825)
LOSS BEFORE INCOME TAX BENEFIT		(1,755,014)	(1,807,375)	(1,360,939)	(1,289,825)
INCOME TAX BENEFIT	4	250,000	352,797	-	-
LOSS AFTER INCOME TAX BENEFIT	14	(1,505,014)	(1,454,578)	(1,360,939)	(1,289,825)
NET LOSS ATTRIBUTABLE TO MEMBERS OF BRAIN RESOURCE LTD		(1,505,014)	(1,454,578)	(1,360,939)	(1,289,825)
Basic loss per share (cents per share)	15	(1.6)	(1.6)		
Diluted loss per share (cents per share)	15	(1.6)	(1.6)		

BALANCE SHEET

At 30 June	NOTE	Consolidated		BR	
		2008 \$	2007 \$	2008 \$	2007 \$
CURRENT ASSETS					
Cash & Cash Equivalents	22	18,544,258	21,306,760	2,410	4,865
Receivables	6	1,021,672	1,721,849	-	-
Inventories	7	201,799	81,942	-	-
Other	10	15,455	732	-	-
TOTAL CURRENT ASSETS		19,783,184	23,111,283	2,410	4,865
NON-CURRENT ASSETS					
Receivables	6	18,999	37,999	7,322,121	8,593,371
Plant and equipment	8	505,223	422,773	-	-
Intangibles	9	5,981,999	4,609,341	-	-
Deferred tax asset	4	350,000	350,000	-	-
Other	10	1,110	1,110	400	400
TOTAL NON-CURRENT ASSETS		6,857,331	5,421,223	7,322,521	8,593,771
TOTAL ASSETS		26,640,515	28,532,506	7,324,931	8,598,636
CURRENT LIABILITIES					
Payables	11	3,177,130	2,043,105	-	-
Provisions	12	311,609	193,078	-	-
TOTAL CURRENT LIABILITIES		3,488,739	2,236,183	-	-
NON-CURRENT LIABILITIES					
Payables	11	15,674,271	17,451,838	-	-
Provisions	12	133,547	82,747	-	-
TOTAL NON-CURRENT LIABILITIES		15,807,818	17,534,585	-	-
TOTAL LIABILITIES		19,296,557	19,770,768	-	-
NET ASSETS		7,343,958	8,761,738	7,324,931	8,598,636
EQUITY					
Contributed equity	13	16,834,052	16,805,302	16,834,052	16,805,302
Accumulated losses	14	(9,637,125)	(8,132,111)	(9,656,152)	(8,295,213)
Other Reserves	14	147,031	88,547	147,031	88,547
TOTAL EQUITY		7,343,958	8,761,738	7,324,931	8,598,636

CASH FLOW STATEMENT

Year ended 30 June	Note	Consolidated		BR	
		2008 \$	2007 \$	2008 \$	2007 \$
CASH FLOWS FROM OPERATIONS					
Receipts from customers		3,667,092	19,716,371	-	-
Payments to suppliers and employees		(4,845,202)	(3,670,718)	(2,455)	(5,553)
Income tax received		-	342,797	-	-
Interest received		1,104,207	483,285	-	-
NET CASH FLOWS PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	22	(73,903)	16,871,735	(2,455)	(5,553)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of plant and equipment		(195,942)	(147,376)	-	-
Development of database and analysis tools		(1,367,482)	(897,359)	-	-
Loans to subsidiaries		-	-	(28,750)	(1,816,023)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1,563,424)	(1,044,734)	(28,750)	(1,816,023)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		28,750	1,821,936	28,750	1,821,936
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		28,750	1,821,936	28,750	1,821,936
Net increase/ (decrease) in cash & cash equivalents held		(1,608,577)	17,648,937	(2,455)	360
Add opening cash & cash equivalents brought forward		21,306,760	3,910,244	4,865	4,505
Exchange rate adjustments		(1,153,925)	(252,421)	-	-
CLOSING CASH & CASH EQUIVALENTS CARRIED FORWARD	22	18,544,258	21,306,760	2,410	4,865

STATEMENT OF CHANGES IN EQUITY

Attributable to the shareholders of Brain Resource Ltd

	Contributed Equity (note 13) \$	Accumulated Losses (note 14) \$	Other Reserves (note 14) \$	Total Equity \$
Consolidated				
At 1 July 2006	16,483,266	(6,677,533)	50,232	9,855,965
Total income and expense for the year recognised directly in equity	-	-	-	-
Loss for the year	-	(1,454,578)	-	(1,454,578)
Total income and expense for the year	-	(1,454,578)	-	(1,454,578)
Issue of share capital	322,036	-	-	322,036
Cost of share based payments taken directly to Equity	-	-	38,315	38,315
As at June 30 2007	16,805,302	(8,132,111)	88,547	8,761,738
Total income and expense for the year recognised directly in equity	-	-	-	-
Loss for the year	-	(1,505,014)	-	(1,505,014)
Total income and expense for the year	-	(1,505,014)	-	(1,505,014)
Issue of share capital	28,750	-	-	28,750
Cost of share based payments taken directly to Equity	-	-	58,484	58,484
As at June 30 2008	16,834,052	(9,637,125)	147,031	7,343,958
Parent				
At 1 July 2006	16,483,266	(7,005,388)	50,232	9,528,110
Total income and expense for the year recognised directly in equity	-	-	-	-
Loss for the year	-	(1,289,825)	-	(1,289,825)
Total income and expense for the year	-	(1,289,825)	-	(1,289,825)
Issue of share capital	322,036	-	-	322,036
Cost of share based payments taken directly to Equity	-	-	38,315	38,315
As at June 30 2007	16,805,302	(8,295,213)	88,547	8,598,636
Total income and expense for the year recognised directly in equity	-	-	-	-
Loss for the year	-	(1,360,939)	-	(1,360,939)
Total income and expense for the year	-	(1,360,939)	-	(1,360,939)
Issue of share capital	28,750	-	-	28,750
Cost of share based payments taken directly to Equity	-	-	58,484	58,484
As at June 30 2008	16,834,052	(9,656,152)	147,031	7,324,931

NOTES TO AND FORMING PART OF THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Brain Resource Ltd (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 18 August 2008. Brain Resource Ltd (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

(a) Basis of preparation

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

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective. These standards have not been adopted by the company for the year ended 30 June 2008. The Directors are in the process of finalising their assessment of the impact of these standards and interpretations to the extent relevant to the company.

The Group has adopted AASB 7 Financial Instruments; Disclosures and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

(c) Significant accounting judgements, estimates and assumptions

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

- (i) Impairment of intangible assets - the Company determines whether intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in Note d(vii).
- (ii) Share-based payment transactions - the Company 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 binomial model, using the assumptions detailed in Note d(xii).
- (iii) Deferred tax assets – deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Brain Resource Ltd and its subsidiaries ("the Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

(ii) Foreign currency translation

Both the functional currency and presentation currency of Brain Resource Ltd and its subsidiaries is Australian Dollars (AUD). Transactions denominated in currencies other than AUD are initially recorded at the exchange rates ruling at the date of each transaction. Monetary assets denominated in currencies other than AUD are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a currency other than AUD are translated using the exchange rate ruling at the date of the initial transaction.

(iii) Cash and cash equivalents

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

(iv) Trade and other receivables

Trade receivables, which generally have 30 – 60 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. Receivables with maturity greater than 12 months after balance sheet date are classified as non current.

(v) Inventories

Inventories are valued at the lower of cost and net realisable value

(vi) Plant and equipment

Plant and equipment is included at cost. Depreciation is provided on a diminishing value basis on all plant and equipment at rates calculated to write off the cost, less estimated residual value at the end of the useful lives of the assets, over those estimated useful lives. The majority of the assets, comprising primarily computer equipment and software, are being depreciated over a three year period. Refer to Note 1 (d)(viii) for recoverability of assets.

(vii) Intangible assets

Intangible assets are capitalised at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research costs are charged against profits in the period in which the expenditure is incurred. Intangible assets with indefinite lives or assets not yet available for use are tested annually for impairment, either individually or at the cash generating unit level. Finite life assets are tested where indicators of impairment exist.

The Brain Resource International Database and associated analysis tools (BRID) is treated as a single integrated asset for presentation, amortisation and impairment testing. Amortisation of BRID commenced during the current year and is calculated on a straight line basis over 25 years.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows based on management expectations for the forthcoming five years 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 (currently assumed to be 17.5% (2007: 16%)). A 1% change in the discount rate has around a 3% impact on the value.

(viii) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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.

(ix) Trade and other payables

Trade 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.

(x) Provisions

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

(xi) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Interest is recognised when the control of a right to receive is obtained.

a) Drug and Biomarker Trials

Drug and biomarker development trials are typically contract based, with payments to Brain Resource tied to achieving agreed milestones, and do not necessarily lead to the creation of new intellectual property owned by Brain Resource. Milestones can include equipment set-up and completing testing on a selected number of subjects. Revenues are only recognised where the milestones have been met or where the stage of completion can be reliably measured, including where moneys advanced could be refundable if milestones are not met. Accordingly, where payments are received in advance, this is recorded as unearned income until such time as the work to which the payment relates has been completed.

b) Drug and Biomarker development and collaborations

Drug Development and collaborations are distinguished from drug trials by the project directly creating new valuable intellectual property which is owned in whole or in part by Brain Resource. Any payments received by Brain Resource from the collaborating partner for participating in the collaboration are recognised as revenues reflecting the relative stage of project progress and expenditures incurred, as above.

c) Revenues from other operating activities

Revenues from the sale of Reports, other data processing services and Equipment are recognised at the time of invoice.

d) Government grants

An Export Market Development Grant from the Australian Government is recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Amounts are recognised over the period necessary to match the grant on a systematic basis to the cost that it is intended to compensate.

(xii) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). There is currently an Employee Share Option Plan (ESOP) in place which provides benefits to all employees, including senior executives and directors. 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 by using a

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

binomial model and the following assumptions: expected volatility of 20.0%, risk-free interest rate of 5.5% and an expected life of 5.0 years.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Brain Resource ('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 above. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xiii) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the taxbases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets, against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

Research and Development tax offsets are refundable tax offsets equivalent to the value of deductions available under the R&D Tax Concession provisions (that is a qualifying company is eligible for a cash rebate and the associated carry forward loss extinguished). To be eligible for this incentive, the total annual R&D spend needs to fall below \$1m.

Where Brain Resource can reliably estimate that R&D expenditure for the full year will fall within this \$1m limit, a tax benefit is recognised as a Receivable. Where this estimate has not been finalised prior to completing the Accounts and is close to this upper limit, the benefit is recognised as a Future Tax Benefit, where in accordance with the abovementioned requirements.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

(xiv) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages, salaries and annual leave. Liabilities arising in respect of wages, salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories: wages and salaries, non-monetary benefits, annual leave and other leave benefits; and other types of employee benefits are recognised against profits on a net basis in their respective categories. Long service leave is provided for after the employees fifth anniversary with an assumption made over the likelihood of that employee achieving their tenth anniversary.

(xv) Leases

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal installments over the lease term.

(xvi) 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 dilutive convertible non-cumulative redeemable preference shares). Potential ordinary shares are treated as dilutive when and only when their conversion to ordinary shares would decrease earnings per share or increase the loss per share from continuing operations.

(xvii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(xviii) 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.

(xix) Investment in subsidiaries

Investment in subsidiaries is recorded at cost less any provision for impairment.

(e) Reclassification of amounts

Items have been reclassified between different expense lines in the income statement to more accurately reflect the nature of the items. Prior year figures have been restated to reflect this reclassification.

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
2. REVENUE AND OTHER INCOME				
Revenue from operating activities:				
Drug trials and Marker Development	2,065,758	1,712,707	-	-
Reports and other data processing	1,051,782	362,209	-	-
Sale of equipment	131,480	311,477	-	-
Other income:				
Government grants	89,533	150,000	-	-
Interest received - other persons/corporations	1,108,368	483,285	-	-
Total revenues from ordinary activities	4,446,921	3,019,678	-	-

3. EXPENSES FROM CONTINUING OPERATIONS

Cost of sales (equipment and third party drug trial expense)	523,292	882,508	-	-
Depreciation & Amortisation:				
Plant and equipment depreciation	93,928	101,084	-	-
Amortisation of intangibles	14,389	-	-	-
Total Depreciation and Amortisation	108,317	101,084	-	-
Operating lease costs (minimum lease payments)	169,974	163,798	-	-
Annual leave	131,989	36,616	-	-
Long Service Leave	37,341	5,109	-	-
Superannuation contributions	261,491	186,017	-	-
Bad debt expense	25,848	20,000	-	-
Provision for non recovery*	-	-	1,300,000	1,250,000
Write down of inventory	18,284	9,000	-	-
Net Foreign Currency Loss (Gain)	1,241,686	258,718	-	-

* The provision for non recovery in the parent entity reflect losses incurred in subsidiaries thereby ensuring that the investments held by the parent entity do not exceed the net assets of the subsidiary.

4. INCOME TAX

Prima facie income tax (credit) on operating (loss) at 30%	(526,504)	(542,212)	(408,282)	(386,948)
Add: Current year permanent differences and future income tax benefit in respect of tax losses – not recognised	526,504	192,212	408,282	386,948
Less: Tax benefit receivable – Research and Development tax concession	(250,000)	-	-	-
Adjustments in respect of current income tax of previous years	-	(2,797)	-	-
Income tax benefit recognised	(250,000)	(352,797)	-	-

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
Current income tax charge	(250,000)	(2,797)	-	-
Deferred income tax	-	(350,000)	-	-
Income tax benefit reported in the income statement	(250,000)	(352,797)	-	-

The R&D Tax Concession is a Commonwealth Government initiative to increase the level of R&D being conducted by Australian companies. It enables companies to deduct up to 125% of eligible expenditure incurred on R&D activities from assessable income when lodging their tax returns. Further, a benefit from the R&D Tax Offset (that is a refundable tax offset) can be claimed, equivalent to the value of the deduction available under the R&D Tax Concession provisions, when eligible R&D expenditure is less than \$1m.

The Group has recognised a deferred tax asset of \$350,000 as at 30 June 2008 associated with carry forward tax losses and temporary differences.

The Group has a deferred tax liability of \$924,118 due to temporary differences from accelerated tax amortisation on the Group's intangibles assets. This has been offset by a deferred tax asset of \$924,118 available from income tax benefits from prior year unused tax losses which are expected to be realised in the periods when the liability will arise.

In addition, the Group has income tax benefits arising from temporary differences of \$159,765 and estimated remaining income tax losses of \$777,223.

No franking credits are available for subsequent years (2007: nil). Brain Resource Ltd and its 100% owned subsidiaries have not formed a tax consolidated Group for income tax purposes.

5. AUDITORS' REMUNERATION

The auditor of Brain Resource Limited is Ernst & Young. Amounts received or due and receivable by Ernst & Young (Australia) for:

Half year review	25,870	15,525	-	-
Full year audit	60,000	44,060	-	-
Accounting advice	-	10,000	-	-
	85,870	69,585	-	-

6. RECEIVABLES

Current Receivables

Sale of reports, equipment & drug trials	538,968	1,325,704	-	-
Provision for doubtful debts	(30,396)	(43,750)	-	-
	508,572	1,281,954		
Advances to laboratories for database acquisition	6,587	13,205	-	-
Income tax rebates receivable	250,000	-	-	-
Export market development grant receivable	150,000	150,000	-	-
Other receivables	106,513	276,690	-	-
	1,021,672	1,721,849	-	-

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$6,848 (2007: \$20,000) has been recognised by the Group and \$nil (2007: \$nil) by the Company in the current year. Movements in the provision for impairment loss were as follows:

At 1 July 2007	43,750	23,750	-	-
Current year provision	6,848	20,000	-	-
Written off against provision	(20,202)	-	-	-
At 30 June 2008	30,396	43,750	-	-

(b) Receivables Aging

Receivables past due but not considered impaired are: Consolidated \$193,994 (2007: \$179,577); Parent \$nil (2007: \$nil). Each of these amounts have been reviewed and discussed with the account manager or debtor and Brain Resource is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due. At 30 June 2008, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+90 days PDNI*	+90 days CI*
2008 Consolidated	538,968	290,843	23,735	45,092	-	148,902	30,396
2007 Consolidated	1,325,704	309,955	792,422	138,247	-	41,330	43,750

*Past due not impaired (PDNI) and Considered Impaired (CI).

(c) There were no related party receivables.

(d) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

Brain Resource only trades with credit worthy third parties. Credits limits are set depending on the type of client involved, which range from large multinationals to individual clinicians. Balances are monitored on a regular basis with the result that there is only very limited exposure to bad debts.

Non Current Receivables

Sale of equipment receivables	75,999	75,999	-	-
Provision for doubtful debts	(57,000)	(38,000)	-	-
Amounts owing by controlled entities	-	-	16,122,121	16,093,371
Less Provision for non recovery (see note 3)	-	-	(8,800,000)	(7,500,000)
	18,999	37,999	7,322,121	8,593,371

An impairment loss of \$19,000 (2007: \$nil) has been recognised by the Group. An impairment loss of \$1,300,000 (2007: \$1,250,000) has been recognised by the Company and was assessed based on net assets of the controlled entities. Movements in the provision for impairment loss were as follows:

At 1 July 2007	38,000	38,000	7,500,000	6,250,000
Current year provision	19,000	-	1,300,000	1,250,000
Written off against provision	-	-	-	-
At 30 June 2008	57,000	38,000	8,800,000	7,500,000

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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a) Terms and Conditions

- i) Certain equipment sales disclosed in Non Current Assets above were supplied under sale agreements which provided for deferred payment terms and interest bearing at 6% pa. Interest receivable has been accrued where recovery is certain.
- ii) Amounts owing by controlled entities are payable on demand and non interest bearing.

7. CURRENT INVENTORIES

Laboratory hardware – at cost	165,552	28,157	-	-
Laboratory software – at cost	-	7,571	-	-
Computer touchscreens – at cost	25,681	63,980	-	-
Miscellaneous componentry – at cost	10,566	10,567	-	-
Provision for obsolescence	-	(28,333)	-	-
	201,799	81,942	-	-

8. PLANT AND EQUIPMENT

	Consolidated \$	Parent \$
At 1 July 2006, net of accumulated depreciation	319,708	-
Additions	204,149	-
Depreciation expense	(101,084)	-
At 30 June 2007, net of accumulated depreciation	422,773	-
At 1 July 2007, net of accumulated depreciation	422,773	-
Additions	195,942	-
Depreciation expense	(93,928)	-
Depreciation expense capitalised	(19,564)	-
At 30 June 2008, net of accumulated depreciation	505,223	-
At 1 July 2006		
Cost	708,410	-
Accumulated depreciation	(388,702)	-
Net Carrying Value	319,708	-
At 30 June 2007		
Cost	912,559	-
Accumulated depreciation	(489,786)	-
Net Carrying Value	422,773	-
At 30 June 2008		
Cost	1,108,295	-
Accumulated depreciation	(603,072)	-
Net Carrying Value	505,223	-

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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9. INTANGIBLES – INTERNATIONAL DATABASE AND ASSOCIATED ANALYSIS TOOLS

Development cost at 1 July	5,369,324	4,471,965	-	-
Accumulated amortisation and impairment	(759,983)	(759,983)	-	-
Net Carrying Amount at 1 July	4,609,341	3,711,982	-	-
Additions – internal development	1,387,047	897,359	-	-
Less current amortisation charge	(14,389)	-	-	-
Net Carrying amount at 30 June	5,981,999	4,609,341	-	-

No impairment loss was recognised for continuing operations in either the 2008 or 2007 financial year. Also see Note 11b.

10. OTHER ASSETS

Current

Prepayments	15,455	732	-	-
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Non Current

Deposits	1,110	1,110	-	-
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Other financial assets – Investments in controlled entities:

BRC Operations Pty Limited	-	-	100	100
BRC International Pty Limited	-	-	100	100
BRC IP Pty Limited	-	-	100	100
BRC Distribution Pty Limited (formerly BRC Franchising Pty Limited)	-	-	100	100
	1,110	1,110	400	400

All above subsidiaries are 100% owned by Brain Resource Ltd and incorporated in Australia. BRC International Pty Limited was incorporated on 16 August 2006.

11. PAYABLES

Current

Trade creditors	417,167	626,216	-	-
Unearned income	2,652,718	1,240,980	-	-
Other creditors	107,245	175,909	-	-
	3,177,130	2,043,105	-	-

At 30 June 2008, the ageing analysis of trade payables is as follows:

	Total	0-30 days	31-60 days	61-90 days	+90 days
2008 Consolidated	417,167	376,244	18,531	-	22,392
2007 Consolidated	626,216	603,724	-	-	22,492

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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Non Current

Unearned income	15,674,271	17,451,838	-	-
	15,674,271	17,451,838	-	-

a) Terms and Conditions

Trade creditors and other creditors are non interest bearing and are normally settled on 30 day terms.

b) Unearned Income

In the 2007 financial year, Brain Resource entered into a Research Contract to identify diagnostic and treatment response brain Biomarkers in two disorders and four drugs. The terms of this agreement includes that the contracted work is being done on an exclusive basis, the project intellectual property is legally owned by the contracting party, the project is to be completed within 15 years, payment for the contract was received in advance but with the condition that this advance is proportionately refundable in the event that Brain Resource fails to complete the project or parts thereof and Brain Resource has been granted a world wide long term license in respect of the project intellectual property (that is, IP disposed of and also any emergent new IP arising from the project) at an agreed royalty rate. The Research Contract also specifically included the sale of pre-existing intellectual property rights and preliminary findings owned by Brain Resource pertaining to the project. Notwithstanding this legal sale, no sale or disposal is deemed to have occurred from an accounting viewpoint. Accordingly the value of the disposed asset remains in the Intangibles, described in note 9, as described before the transaction occurred. Brain Resource will separately monitor this disposed of asset, from the rest of the Intangibles, for any indicators of impairment.

c) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate fair value.

12. PROVISIONS

Current Employee provisions	311,609	193,078	-	-
Non-Current Employee provisions	133,547	82,747	-	-

13. CONTRIBUTED EQUITY

(a) Share capital

Ordinary shares fully paid – opening balance	16,805,302	16,483,266	16,805,302	16,483,266
Issued during the year	28,750	322,036	28,750	322,036
Ordinary shares fully paid – closing balance	16,834,052	16,805,302	16,834,052	16,805,302

Number of ordinary shares – opening balance	91,599,454	90,449,454	91,599,454	90,449,454
Issued during the year	115,000	1,150,000	115,000	1,150,000
Number of ordinary shares - closing balance	91,714,454	91,599,454	91,714,454	91,599,454

(b) Shares issued during the prior year

During the current year, 115,000 shares were issued as a consequence of option exercises at 25 cents per share.

(c) Share options

Particulars of options granted over unissued shares:

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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Number of Options	Exercise price Cents per share	Expiry Date	Holder (all issued following terms of the Employee Share Option Plan)
80,000	40	7 Aug 08	eligible staff
30,000	50	18 Nov 08	eligible staff
150,000	60	15 Mar 09	eligible staff
391,500	50	21 Jul 09	eligible staff
300,000	41	23 Nov 09	eligible staff
400,000	40	23 Mar 10	eligible staff
3,500,000	50	26 Oct 11	Directors as approved at 2006 AGM
1,676,500	40	9 Nov 11	eligible staff
475,000	50	8 May 12	eligible staff
100,000	55	17 Oct 12	eligible staff
1,090,000	70	24 Dec 12	eligible staff
8,193,000	Total issued as at June 2008		

- Options were exercised during the current year as above.
- Option holders do not have any 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.
- 223,000 options expired during the current year without being exercised.
- The weighted average remaining contractual life for the share options outstanding at 30 June 2008 is 3.2 years (2007: 3.8 years).
- The weighted average fair value of share options granted during the year is \$0.0440 (2007: \$0.0249)

(d) Terms and Conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(e) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. In this regard, Management constantly monitor capital requirements and market conditions to ensure that a capital structure is maintained that provides the lowest cost of capital available.

14. ACCUMULATED LOSSES AND RESERVES

Accumulated Losses:

Balance at the beginning of year	8,132,111	6,677,533	8,295,213	7,005,388
Loss for the year	1,505,014	1,454,578	1,360,939	1,289,825
Balance at the end of year	9,637,125	8,132,111	9,656,152	8,295,213

Reserves:

Balance at the beginning of year	88,547	50,232	88,547	50,232
Cost of share based payments taken directly to Equity	58,484	38,315	58,484	38,315
Balance at the end of year	147,031	88,547	147,031	88,547

Nature and Purpose of Reserves: Employee equity benefits reserve – This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

NOTES TO AND FORMING PART OF THE ACCOUNTS (continued)

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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15. EARNINGS PER SHARE

Basic and diluted loss per share was (1.6) (2007: (1.6)) cents per share. The net loss used in the calculation of EPS was \$1,505,014 (2007: \$1,454,578). The weighted average number of ordinary shares on issue used in the calculation of basic and diluted loss per share is 91,635,139 (2007: 91,438,769).

16. REMUNERATION OF KEY MANAGEMENT PERSONNEL

These remuneration disclosures are provided in the Directors' Report designated as audited. Director emoluments paid by the Company and Consolidated entity during the year to 30 June 2007:

	Primary Salary & Fees	Post Employment Superannuation	Other Equity Options	Total
2008 Executive Directors:				
E Gordon	211,009	18,990	2,567	232,566
D Segal	201,835	18,165	1,284	221,284
Total	412,844	37,155	3,851	453,850
2008 Non-Executive Directors:				
N Hinzack	11,000	990	642	12,632
P Keating	11,000	990	3,851	15,841
A Toga	11,000	-	642	11,642
R Jamison	11,000	990	-	11,990
B Joffe	11,000	-	-	11,000
Total	55,000	2,970	5,135	63,105
2007 Executive Directors:				
E Gordon	165,000	14,850	1,735	181,585
D Segal	137,500	12,413	867	150,780
Total	302,500	27,263	2,602	332,365
2007 Non-Executive Directors:				
N Hinzack	11,000	495	434	11,929
P Keating	11,000	495	2,602	14,097
A Toga	11,000	-	434	11,434
R Jamison	11,000	495	-	11,495
B Joffe	11,000	-	-	11,000
Total	55,000	1,485	3,470	59,955

There are continuous service agreements in place with the Executive Directors, Evian Gordon and Dan Segal, which set out a base salary and require 12 months notice to be given or the equivalent payment in lieu to be given upon termination by the company of such agreements. No other benefits either short term or long term have been received or are receivable by Directors. There were no other executives other than those mentioned above. No long term benefits or termination benefit payments were made to Directors during the year.

Shares and Options held at 30 June 2008:

Name	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2008	2007	2008	2007
Evian Gordon	11,356,248	11,356,248	1,000,000	1,000,000
Dan Segal	6,131,543	6,131,543	500,000	500,000
Paul Keating	575,000	575,000	1,500,000	1,500,000
Nestor Hinzack	605,000	605,000	250,000	250,000
Russell Jamison	-	-	-	-
Arthur Toga	287,500	287,500	250,000	250,000
Brian Joffe	2,880,000	2,880,000	-	-
	21,835,291	21,835,291	3,500,000	3,500,000

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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17. RELATED PARTY DISCLOSURES

(a) Directors

The following persons held the position of director of Brain Resource Ltd during all or part of the last two financial years:

Evian Gordon	Appointed 8 August 2000	Arthur Toga	Appointed 16 May 2001
Dan Segal	Appointed 8 August 2000	Russell Jamison	Appointed 5 August 2003
Paul Keating	Appointed 16 May 2001	Brian Joffe	Appointed 26 July 2005
Nestor Hinzack	Appointed 16 May 2001		

(b) Ultimate parent

The consolidated financial statements include the financial statements of Brain Resource Ltd and its subsidiaries all of which were 100% owned and were incorporated in Australia as listed in the following table:

Name	\$ Investment	
	2008	2007
BRC Operations Pty Limited	100	100
BRC IP Pty Limited	100	100
BRC Distribution Pty Limited	100	100
BRC International Pty Limited	100	100

Brain Resource Ltd is the ultimate parent company.

(c) There were no transactions between the parent and its subsidiaries or between subsidiaries during the financial year (2007: \$nil) other than the cash from option conversions into the Company shares being banked by a subsidiary.

18. AGREEMENTS WITH ACADEMIC INSTITUTIONS

The Company is or has been party to numerous agreements with academic institutions including University of Sydney, Flinders University, University of New South Wales and Kings College London.

19. FINANCIAL REPORTING BY SEGMENT

The Company operates predominantly in the one industry, namely commercialisation of brain function analysis, and is located in Australia.

20. CONTINGENT LIABILITIES

The Company is not aware of any contingent liabilities neither at the end of the year nor at the date of this report.

21. EXPENDITURE COMMITMENTS

a) Capital expenditure commitments

Estimated capital expenditure contracted for at balance date, but not provided for, payable not later than one year amounted to \$nil (2007: \$nil).

b) Operating lease expenditure commitments – this commitment relates to head office premises.

Minimum lease payments:

- not later than one year amount to \$ 159,024 (2007: \$170,000)
- later than one year but not later than five years - \$ 280,057 (2007: \$75,000)

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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22. STATEMENT OF CASH FLOWS

Reconciliation of net cash inflow/ (outflow) from operating activities to operating loss after income tax:

Operating loss after tax	(1,505,014)	(1,454,578)	(1,360,939)	(1,289,825)
Depreciation and amortisation	108,317	101,084	-	-
Foreign exchange losses	1,153,925	252,421	-	-
Share based payments expense	58,484	38,315	58,484	38,315
Provision for non recovery	-	-	1,300,000	1,250,000
(Increase) decrease in inventories	(91,524)	12,795	-	-
Increase (decrease) in creditors	(209,049)	352,180	-	(4,043)
(Increase) decrease in receivables	713,531	(915,230)	-	-
(Increase) decrease in deferred tax asset	-	(350,000)	-	-
(Increase) decrease in other assets	(14,723)	7,102	-	-
Increase (decrease) in other payables	(434,493)	18,761,588	-	-
Increase (decrease) in provisions	146,643	66,058	-	-
Net cash inflow (outflow) from operating activities	(73,903)	16,871,735	(2,455)	(5,553)

(b) For the purpose of the Cash Flow Statement, cash & cash equivalents includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. Cash balance comprises:

Cash & cash equivalents	18,544,258	21,306,760	2,410	4,865
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23. SUBSEQUENT EVENTS

There have not been any material subsequent events that have or will affect the results of Brain Resource Ltd and its controlled entities.

24. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Net Fair Value

The carrying amount of financial assets and liabilities represents the fair value. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term loans receivable: The fair values of long-term loans receivable are estimated based on an assessment of recoverability of the loan.

25. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

i) Superannuation is provided for employees in accordance with the legislative requirements.

ii) Employee share incentive scheme. As disclosed in the 4 June 2001 Prospectus, an employee share scheme has been established where Brain Resource Ltd may grant options over the ordinary shares to directors, executives and certain members of staff of the consolidated entity. The purpose of the Plan is to reward the directors, the executive directors and employees for their contribution to the Company, and to provide them with an incentive to contribute to the future growth of the Company, thereby increasing shareholder value. The options are issued for a term of 5 years and are exercisable up to 35% on the first

NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

30 June	Consolidated 2008 \$	Consolidated 2007 \$	BR 2008 \$	BR 2007 \$
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anniversary of the date of grant, 80% on the second anniversary and 100% on the third anniversary. The options cannot be transferred and will not be quoted on the ASX. The issue price is at the discretion of management but can not be less than 80% of the weighted average Market Price of fully paid Shares sold in the ordinary course of trading on the ASX during the month before the Offer Date. All options (shown above in Note 13c) are issued under the terms of the Plan with the following issued under the Plan.

	Number of options	Exercise price
- granted 7 August 2003	80,000	40 cents
- granted 18 November 2003	30,000	50 cents
- granted 15 March 2004	150,000	60 cents
- granted 21 July 2004	221,500	50 cents
- granted 23 November 2004	50,000	41 cents
- granted 23 March 2005	345,000	40 cents
- granted 9 November 2006	1,276,500	40 cents
- granted 8 May 2007	475,000	50 cents
- granted 24 Dec 2007	860,000	70 cents
	3,488,000	
Exercisable at 30 June 2008	1,489,525	

26. Risk Exposures and Responses

Primary responsibility for identification and control of financial risks rests with the overall Board. Risk matters are now included as an agenda item at each Board meeting. The Audit Committee includes risk management and the arrangements are reviewed by the full Board of Directors.

The Group's principal financial instruments comprise cash and short-term deposits. The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security. The Group does not currently use derivatives for any material transactions.

Interest rate and Cash Deposit risk

Interest rates applicable to cash financial assets were around 5.5% (2007: 6.0%) with maturities of less than 1 year. All other balances are non interest-bearing.

The Group's exposure to market interest rates relates primarily to the short term deposits. The Board has formed the view that these funds be held in either bank deposits or AAA short term bonds. Currently all holdings are in cash deposits with the National Australia Bank. Based on an average cash balance, ignoring interest rate differentials between the currency holding, a +/-10% increase in interest rates would have equated to a change in the after tax loss of around -/+7% (2007: -/+5%).

Foreign currency risk

At 30 June 2008, total cash and cash equivalents were held in Australian Dollars, United States Dollars and British Pounds in a ratio reflective of current expectations of future expenditures. The latter two currencies are expected to dominate future revenues. The Board has adopted the policy with respect to managing foreign exchange risk of maintaining currency deposits in line with planned future expenditures therefore ensuring that the Group's overall purchasing power is maintained during periods of currency volatility. As a result of significant cash deposits in United States Dollars, the Group's balance sheet can be affected significantly by movements in the US\$/A\$ exchange rates. The cash balances were held in the ratio of 46% A\$, 45% US\$ and 9% in UK Pounds. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. While the majority of expenditures are in Australian Dollars, US Dollars dominate revenues. In that regard, a +/-10% appreciation in the AUD/USD rate would impact have impacted the 2008 after tax loss by around -/+13% (2007: -/+10%).

Liquidity risk

Given the relative strength in the Group's financial position, liquidity risks are currently minimal. This is however constantly monitored to ensure this position is preserved. However, please refer to note 11b for refund conditions associated with the iSPOT advance payment.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Brain Resource Ltd, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company and 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 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2008.

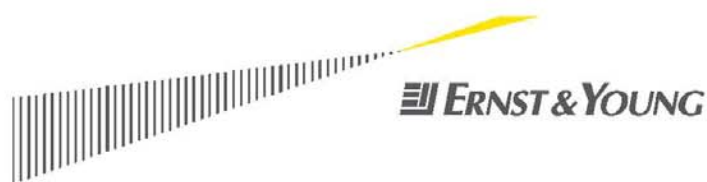
On behalf of the Board.



Dr Evian Gordon
Chairman of Directors

Sydney, 18 August 2008

INDEPENDENT AUDIT REPORT



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the members of Brain Resource Limited

Report on the Financial Report

We have audited the accompanying financial report of Brain Resource Limited, which comprises the balance sheet as at 30 June 2008, 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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included on page 16 of the financial report.

Liability limited by a scheme approved
under Professional Standards Legislation

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INDEPENDENT AUDIT REPORT



Auditor's Opinion

In our opinion:

1. the financial report of Brain Resource Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of Brain Resource Limited and the consolidated entity at 30 June 2008 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*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 14 of the directors' report for the year ended 30 June 2008. 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 Brain Resource Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "J K Haydon".

J K Haydon
Partner
Sydney
18 August 2008

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Brain Resource Ltd (Brain Resource) is responsible for corporate governance and strives for high standards in this regard. In doing so, the Board draws on relevant best practice principles, particularly those issued by the ASX Corporate Governance Council in the guidance document "Principles of Good Corporate Governance and Best Practice Recommendations" issued in March 2003, requiring disclosure of: (1) the extent to which the recommendations have been followed; (2) which recommendations have not been followed; and (3) reasons for not doing so. The Board has assessed these recommendations and the following sets out our position relative to each of these 10 principles.

A set of Revised Principles was issued by the ASX in August 2007 and they are effective for years beginning on or after 1 January 2008. Brain Resource will comment on Revised Principles in the 2009 Annual Report.

Principle 1: Lay solid foundations for management and oversight

Brain Resource's Board has a small management team reporting to it through its executive directors. This allows for the open dialogue consistent with our company's size and type. Accordingly, Brain Resource has not yet formalised those functions reserved to the Board and those delegated to management. This matter remains under review.

Principle 2: Structure the Board to add value

Brain Resource has sought to maintain a Board with a common vision and complementary relevant experience. The majority of the Board members are independent directors. Brain Resource does not currently comply with the recommendation that the Chairman should not also be the Chief Executive Officer. Given the nature of our operations and current stage of development, Brain Resource does not see the added benefit in separating these roles at this stage.

Brain Resource does not have a separate Board Nomination Committee, with the full Board carrying out this role. This includes reviewing Board performance, size and capacity of the Board (with appropriately experienced independent directors). The Board takes the view that because of the small size of the Company and its limited financial capacity, there is no added benefit that will accrue at this stage from compliance with the requirement to have a separate Nomination Committee.

Each Director of the Company has the right to seek independent professional advice at the expense of the Company (requires the prior approval of the Chairman but will not be unreasonably withheld).

Principle 3: Promote ethical and responsible decision-making

Brain Resource has a current policy concerning trading in its securities by Directors and Executives who must consult with the Chairman or the Chief Operating Officer before dealing in Brain Resource shares. Purchases or sales of Brain Resource shares are ideally carried out in the "window", being the period commencing two days, and ending 30 days, following the date of announcement of the Company's annual or half yearly results or a major announcement leading, in the opinion of the Board, to an informed market. The Company has adopted a formal code of conduct which reflects the Company's size and the close interaction of individuals throughout the organisation.

Principle 4: Safeguard integrity in financial reporting

The Executive Chairman/CEO and the Chief Operating Officer state in writing to the Board that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards. They comment on whether the financial statements are founded on a sound system of risk management and internal control and whether the system is operating efficiently and effectively.

Brain Resource's Audit Committee, comprising Messrs Segal and Hinzack, meets with the Company's external auditors at least once during each half-year prior to the finalisation of the financial statements and prior to the signing of the Audit Report. This structure does not meet the ASX's guidance for the committee in that it includes an executive director and it only has two members. This continues to be reviewed by the Company but alternatives are limited due to size constraints based on the availability and relevant experience of Sydney based directors. The Audit Committee has a formal charter which sets out the Committee's role, responsibilities, composition, structure and membership requirements.

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Principle 5: Make timely and balanced disclosure

The Board is very aware of the ASX's continuous disclosure requirements and operates in an environment where strong emphasis is placed on full and appropriate disclosure to the market. Written systems have been implemented to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. A regular review takes place to ensure compliance with ASX Listing Rule 3.1A.

Principle 6: Respect the rights of shareholders

All significant information disclosed to the ASX is posted on Brain Resource's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of operations, new material used in the presentation is released to the ASX and posted on the website. Written policies ensure disclosure of price sensitive information and for ensuring that the requirements of continuous disclosure are met. These written policies and procedures are designed to ensure appropriate communication with and participation by shareholders. Brain Resource has requested the external auditor to attend general meetings and this has been supported by the audit partner at Ernst & Young.

Principle 7: Recognise and manage risk

At this stage, no formal policy is in place. Clearly as the business grows, this will need to be reviewed with policies on risk oversight and management of risk implemented. The Audit Committee includes risk management and the arrangements are reviewed by the full Board of Directors. Also, risk matters are now included as an agenda item at each Board meeting and the CEO and COO will periodically report to the Board in writing on risk management.

Principle 8: Encourage enhanced performance

The Remuneration Committee comprises two non executive directors Mr Hinzack and Mr Jamison, who review the remuneration of all Directors and executives. The Committee seeks independent external advice and market comparisons as necessary. Directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies. There has been a formal performance evaluation of the Board during the past financial year.

Principle 9: Remunerate fairly and responsibly

Brain Resource's Remuneration Committee determines remuneration levels on an individual basis. In accordance with Corporations Act requirements, Brain Resource discloses the fees or salaries paid to all directors. Non-executive directors are remunerated by way of fees.

Principle 10: Recognise the legitimate interests of stakeholders

Brain Resource has adopted a formal code of conduct to guide compliance with legal and other obligations. The Board of Directors continues to review the code and the Company's situation to determine if its code is the most appropriate and effective operational procedures.

Functions of the Board

The functions of the Board include:

- ensuring that Brain Resource conducts itself with the highest ethical standards. All directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the company;
- overseeing and monitoring organisational performance, including assessing risk, on behalf of shareholders;
- review and approval of corporate strategies, the annual budget and financial and business plans;
- monitoring financial performance, including approval of the annual and half-year financial reports and liaison with Brain Resource's auditor;
- appointment of, and assessment of the performance of, the Chief Executive Officer and the other members of the senior management team;
- ensuring that there are effective management processes in place and approving major corporate initiatives; and
- enhancing and protecting the reputation of Brain Resource.

SHAREHOLDER INFORMATION

Information relating to shareholders as at 31 July 2008

Substantial Shareholders (includes indirect interests):	Number of Shares
Julie Rosenberg	13,912,650
Evian Gordon	11,356,248
Stuttgart Pty Limited	10,156,882
Dan Segal	6,131,543
Queensland Investment Corporation	5,981,447

Distribution of Shareholders

Number of ordinary shares held	Number of Holders	Ordinary Shares	Percentage
1 - 1,000	7	3,780	0.0
1,001 - 5,000	77	233,318	0.3
5,001 - 10,000	121	1,054,557	1.2
10,001 - 100,000	154	5,683,816	6.2
100,001 - and over	79	84,738,983	92.4
	<u>438</u>	<u>91,714,454</u>	<u>100.0</u>

At the prevailing market price of 32 cents per share, there were 13 shareholders with less than a marketable parcel of \$500.

Holder Name	Balance
Dr Evian Gordon	11,356,248
Stuttgart Pty Ltd	10,156,882
Spinite Pty Ltd	9,894,700
ANZ Nominees Limited	6,569,839
Queensland Investment Corporation	5,981,447
Dan Segal	5,731,250
Febros Nominees Pty Ltd	2,880,000
Link Traders (Aust) Pty Ltd	2,295,278
Red Star Developments Pte Ltd	2,231,650
The University of Sydney	2,012,500
Dr Chris Rennie	2,012,499
Professor Jim Wright	1,437,500
Professor Peter Robinson	1,437,500
King's College London	1,437,500
Cardy & Company Pty Ltd	1,295,064
Krzysztof Kozek	1,150,000
Citicorp Nominees Pty Ltd	973,200
National Nominees Limited	818,666
Ceyx Holdings Pty Ltd	800,000
Digue Pty Ltd	627,500
	<u>78,266,558</u>
Other Holdings	13,447,896
Total Fully Paid Shares and quoted on the ASX	<u>91,714,454</u>

SHAREHOLDER INFORMATION

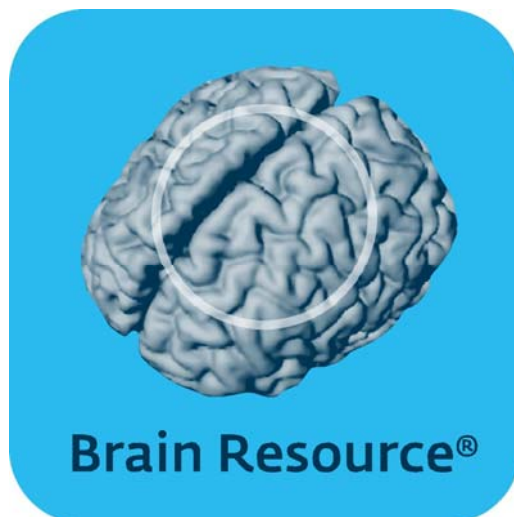
Unquoted Options

The Company has 8,193,000 options on issue (or 8.9% of the total shares on issue) comprising:

- i. 260,000 options were issued during the June 2004 year to 6 eligible staff under the terms of the Employee Share Option Plan – 80,000 of these have an exercise price of 40 cents and which expired since year end on 7 August 2008, 30,000 of these have an exercise price of 50 cents and which expire on 18 November 2008 and 150,000 of these have an exercise price of 60 cents and which expire on 15 March 2009.
- ii. 391,500 options were issued to 32 eligible staff and new scientific advisory committee member under the terms of the Employee Share Option Plan with an exercise price of 50 cents and which expire on 21 July 2009.
- iii. 250,000 options were issued with shareholder approval at the 2004 AGM to Peter Wodtke with an exercise price of 41 cents and which expire on 23 November 2009. A further 50,000 options were issued to an eligible staff member on the same terms.
- iv. 400,000 options were issued to 20 eligible staff under the terms of the Employee Share Option Plan with an exercise price of 40 cents and which expire on 23 Mar 2010.
- v. 3,500,000 options were issued to 5 Directors, as approved at the 2006 AGM, under the terms of the Employee Share Option Plan with an exercise price of 50 cents and which expire on 26 October 2011.
- vi. 1,676,500 options were issued to 48 eligible staff under the terms of the Employee Share Option Plan with an exercise price of 40 cents and which expire on 9 November 2011.
- vii. 475,000 options were issued to 2 eligible staff under the terms of the Employee Share Option Plan with an exercise price of 50 cents and which expire on 8 May 2012.
- viii. 1,090,000 options were issued to 57 eligible staff under the terms of the Employee Share Option Plan with an exercise price of 70 cents and which expire 24 December 2012. A further 100,000 options were issued to a consultant with an exercise price of 55 cents and which expires 17 October 2012.

Voting rights

There are no restrictions on voting rights. On a show of hands every shareholder present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a shareholder holds shares which are not fully paid, the number of votes to which that shareholder is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.



30 June 2008

Brain Resource Ltd

ABN: 24 094 069 682 & ASX Code: BRC
Level 12, 235 Jones Street, Ultimo, Sydney 2007, Australia
Phone +61 2 9213 6666 / investor@brainresource.com
www.brainresource.com