

Appendix 4D

Half year report

Entity	Arana Therapeutics Limited
ABN	98 002 951 877

Current Reporting Period	Half financial year ended 31 March 2009
Previous Corresponding Period	Half financial year ended 31 March 2008

Results for announcement to the market			
			\$A'000
Revenue from continuing operations	Up	23%	to 24,193
Loss from continuing operations	-	-	to (4,375)
Loss attributed to members	-	-	to (4,375)
	<i>Amount per security</i>		<i>Franked amount per security</i>
Dividend Distributions			
Special dividend	5 cents		5 cents
Final dividend	Nil		Nil
Interim dividend	Nil		Nil
Previous corresponding period	Nil		Nil
Record date for determining entitlements to the dividends	30 March 2009		

	<i>Current period</i>	<i>Previous corresponding Period</i>
Net tangible asset backing per ordinary security	\$0.768	\$0.788

For further explanation of the above figures please refer to the Half Year Financial Report - 31 March 2009 and media release "Arana Half Year Results" dated 14 May 2009.

This Appendix 4D is based on Financial Reports which have been subject to audit review.

Arana Therapeutics Limited

ABN 98 002 951 877

Half Year Financial Report 31 March 2009

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This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2008, and any public announcements made by Arana Therapeutics Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Arana Therapeutics Limited and the entities it controlled at the end of, or during, the half year ended 31 March 2009.

Directors

The names of the directors of the company in office at the date of this report are as follows:

- R. Beaumont (Independent Non-executive Chairman)
- G. Black (Non-independent Non-executive Director, appointed 8 October 2008)
- L. Chee (Non-independent Non-executive Director)
- C. Harris (Independent Non-executive Director)

Directors that held office during the half year but not at the date of this report are as follows:

- J. Chiplin (Managing Director and Chief Executive Officer, resigned 5 November 2009)
- G. Jessup (Non-independent Non-executive Director, resigned 2 March 2009)

All directors held their position as a director throughout the entire half year and up to the date of this report, unless specified otherwise above.

Results

The consolidated net loss after tax for the half year was \$4,375,000 (2008 profit \$1,643,000).

Review of operations

Refer media release "Arana Half Year Results" dated 14 May 2009.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the directors.



R. Beaumont
Chairman
Sydney
14 May 2009

PricewaterhouseCoopers
ABN 52 780 433 757

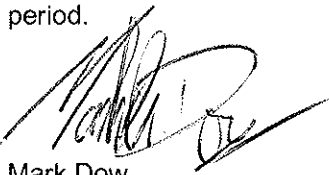
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Auditor's Independence Declaration

As lead auditor for the review of Arana Therapeutics Limited for the half year ended 31 March 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Arana Therapeutics Limited and the entities it controlled during the period.



Mark Dow

Partner
PricewaterhouseCoopers

Sydney

14 May 2009

Consolidated income statement

For the half year ended 31 March 2009

	Notes	2009 Half Year To 31 March \$'000	2008 Half Year To 31 March \$'000
Revenue from continuing operations		24,193	19,704
Other income		2,393	1,408
Consumables expense		(1,413)	(1,000)
External research and development expense		(11,249)	(5,893)
Employee benefits expense		(5,897)	(5,804)
Depreciation and amortisation expense	3	(5,296)	(4,870)
Cost of premises		(1,073)	888
Legal and professional services		(2,061)	(2,049)
Travel expense		(657)	(655)
Impairment of intangibles	3	(1,443)	-
Other expenses		(1,056)	(974)
Finance costs	3	(352)	(334)
Profit (loss) before income tax		(3,911)	421
Income tax (expense) benefit		(464)	734
Profit (loss) from continuing operations		(4,375)	1,155
Profit (loss) from discontinued operation		-	488
Profit (loss) for the half year attributable to members of Arana Therapeutics Limited		(4,375)	1,643
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		(1.90)	0.49
Diluted earnings per share		(1.90)	0.49
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		(1.90)	0.70
Diluted earnings per share		(1.90)	0.70

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

Consolidated balance sheet As at 31 March 2009

	Notes	31 March 2009 \$'000	30 September 2008 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		179,322	181,560
Trade and other receivables		9,146	12,789
Derivative financial instruments		421	-
Other financial assets		1,908	1,908
Total current assets		190,797	196,257
Non-current assets			
Receivables		431	483
Property, plant and equipment		11,388	11,166
Intangible assets		109,542	121,607
Total non-current assets		121,361	133,256
Total assets		312,158	329,513
LIABILITIES			
Current liabilities			
Trade and other payables		16,332	5,556
Derivative financial instruments		-	1,399
Provisions		59	53
Other liabilities		1,565	1,565
Total current liabilities		17,956	8,573
Non-current liabilities			
Payables		9,139	16,300
Provisions		597	567
Total non-current liabilities		9,736	16,867
Total liabilities		27,692	25,440
Net assets		284,466	304,073
EQUITY			
Contributed equity	5	209,674	215,478
Reserves		1,599	(356)
Retained profits		73,193	88,951
Total equity		284,466	304,073

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

Consolidated statement of changes in equity For the half year ended 31 March 2009

	2009 Half Year To 31 March \$'000	2008 Half Year To 31 March \$'000
Total equity at the beginning of the half year	<u>304,073</u>	<u>309,246</u>
Changes in fair value of cash flow hedges, net of income tax	1,925	(48)
Net income recognised directly in equity	-	36
Exchange differences on translation of foreign operations	246	(136)
Net income recognised directly in equity	<u>2,171</u>	<u>(148)</u>
Profit (loss) for the half year	(4,375)	1,643
Total recognised income and expense for the half year	<u>(2,204)</u>	<u>1,495</u>
Transactions with equity holders in their capacity as equity holders		
Dividend payable	(11,383)	-
Share Buy back program	(5,834)	-
Shares issued - Arana Therapeutics employee share plan	30	-
Movement - Arana Therapeutics employee performance share plan	(216)	(199)
	<u>(17,403)</u>	<u>(199)</u>
Total equity at the end of the half year	<u>284,466</u>	<u>310,542</u>
Total recognised income and expense for the half year attributable to members of Arana Therapeutics Limited	<u>(19,607)</u>	<u>1,643</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement For the half year ended 31 March 2009

	2009 Half Year To 31 March \$'000	2008 Half Year To 31 March \$'000
Cash flows from operating activities - Continuing operations		
Receipts from customers (inclusive of goods and services tax)	22,528	14,538
Payments to suppliers and employees (inclusive of goods and services tax)	(26,138)	(17,846)
	(3,610)	(3,308)
Interest received	7,079	6,872
Other revenue	2,161	356
Income taxes paid	(464)	(723)
	5,166	3,197
Cash flows from operating activities - Discontinued operation	-	(937)
Net cash inflows from operating activities	5,166	2,260
Cash flows from investing activities - Continuing operations		
Proceeds from sale of investments	-	17,709
– unlisted securities	(1,415)	(6,209)
Payments for property, plant and equipment	(1,415)	11,500
Cash flows from investing activities - Discontinued operation	-	(1,070)
Net cash (outflows) inflows from investing activities	(1,415)	10,430
Cash flows from financing activities - Continuing operations		
Payments for share buy back program	(5,834)	-
Net cash (outflows) inflows from financing activities	(5,834)	-
Net (decrease) increase in cash and cash equivalents	(2,083)	12,690
Cash and cash equivalents at the beginning of the half year	181,560	169,038
Effects of exchange rate changes on cash and cash equivalents	(155)	-
Cash and cash equivalents at end of the half year	179,322	181,728

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

Notes to the half year report

1 Basis of preparation of half year report

This general purpose financial report for the interim half year reporting period ended 31 March 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2008 and any public announcements during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 Segment information

Description of segment

Business segment

The Group operates in one business segment, being the commercialisation of research, development and licensing of antibody technologies.

3 Expenses

	Consolidated	
	2009	2008
	Half Year	Half Year
	To 31 March	To 31 March
	\$'000	\$'000
Profit (loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	501	39
Laboratory equipment	542	198
Other plant and equipment	65	178
	<u>1,108</u>	<u>415</u>
<i>Amortisation</i>		
Identifiable intellectual property	4,188	4,455
	<u>4,188</u>	<u>4,455</u>
Total depreciation and amortisation	<u>5,296</u>	<u>4,870</u>
<i>Finance costs</i>		
Non-current liabilities - unwinding of discount	352	334
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,011	645
Lease incentive benefits	(170)	(304)
Surplus leased space	-	(1,354)
Total rental expense relating to operating leases	<u>841</u>	<u>(1,010)</u>
Research and development (internal and external)	20,478	10,758
<i>Impairment of assets</i>		
Intangible - identifiable intellectual property	1,443	-

Notes to the half year report

4 Dividends

Consolidated	
2009	2008
Half Year	Half Year
To 31 March	To 31 March
\$'000	\$'000

Ordinary shares

Dividends provided for or paid during the half year

11,383	-
11,383	-

A special dividend of 5 cents per ordinary share was declared on 2 March 2009. The dividend was fully franked based on tax paid @ 30% - 2.14 cents per share (2008 : nil).

5 Contributed equity

Parent entity		Parent entity	
2009	2008	2009	2008
Shares	Shares	\$'000	\$'000

(a) Share capital

Ordinary shares
Fully paid

227,655,322	234,986,037	209,674	215,478
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(b) Movements in ordinary share capital during the half year

Date	Details	Notes	Number of shares	Issue price	\$'000
1 October 2007	Opening balance		234,986,037		215,478
31 March 2008	Closing balance		234,986,037		215,478
1 October 2008	Opening balance		234,986,037		215,478
October 2008 to February 2009	Share buy back program		(7,367,975)		(5,817)
	Less : transaction costs of share buy back		-		(17)
16 February 2009	Issued under Employee share scheme	(c)	37,260	\$0.81	30
31 March 2009	Closing balance		227,655,322		209,674

Notes to the half year report

5 Contributed equity (continued)

(c) Movements in employee share scheme during the half year

Date	Details	Number of shares	\$'000
1 October 2007	Opening balance	-	-
31 March 2008	Closing balance	-	-
1 October 2008	Opening balance	-	-
16 February 2009	Issued under Employee share scheme	37,260	30
4 March 2009	Selling restriction lifted under Employee share scheme	(1,242)	(1)
31 March 2009	Closing balance	36,018	29

(d) Movements in performance share rights during the half year

	Parent entity			
	Exercisable share rights with measurable date of 31 Dec 2008	Exercisable share rights with measurable date of 31 Dec 2009	Exercisable share rights with measurable date of 31 Dec 2010	Exercisable share rights with measurable date of 31 Dec 2011
Opening balance 1 October 2007	397,506	437,985	-	-
Share rights lapsed	(113,199)	(159,618)	-	-
Share rights vested	-	-	-	-
Closing balance 31 March 2008	284,307	278,367	-	-
Opening balance 1 October 2008	284,307	278,367	1,761,037	-
Share rights issued under Performance Share Plan	-	-	-	2,382,187
Share rights lapsed	(118,080)	(22,845)	(225,849)	-
Share rights vested	(166,227)	-	-	-
Closing balance 31 March 2009	-	255,522	1,535,188	2,382,187

6 Contingencies

The Group has contingent liabilities at 31 March 2009 in respect of:

(a) Rental Guarantees

Guarantees given to third parties regarding the leasehold properties of Group subsidiaries and parent entity \$1,022,000 (30 September 2008 : \$1,272,000).

Guarantees given to third parties regarding the leasehold property of a previously owed business \$443,000 (30 September 2008 : \$678,000).

(b) Contingent deferred consideration

Additional consideration will be payable by Arana Therapeutics Limited to the vendors of Promics Limited in the event of Promics' PMX53 product entering into either a Phase III clinical trial or the commercialisation of the product for a human indication. This additional consideration of \$7,000,000 if payable, can be satisfied through either the issue of 5,109,990 ordinary share in Arana Therapeutics Limited or by cash, at Arana Therapeutics Limited's discretion.

(c) Professional fees

Professional fees may be payable to advisors that have provided services to the company in relation to the take over offer by Cephalon International Holdings, Inc announced on 27 February 2009. Presently it is not possible to reliably quantify the payments which are contingent upon the conclusion of the transaction.

Notes to the half year report

7 Events occurring after the balance sheet date

On 27 February 2009, Arana received an unsolicited takeover offer from Cephalon International Holdings, Inc. The offer is currently still open. Other than the Cephalon offer, no matter or circumstance has arisen since 31 March 2009 that has significantly affected, or may significantly affect :

- (a) the Group's operations in future years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2009 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that Arana Therapeutics Limited will be able to pay its debts as and when they become due and payable.

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



R. Beaumont
Chairman
Sydney
14 May 2009

PricewaterhouseCoopers
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Independent auditor's review report to the members of Arana Therapeutics Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Arana Therapeutics Limited, which comprises the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Arana Therapeutics Limited Group (the consolidated entity). The consolidated entity comprises both Arana Therapeutics Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Arana Therapeutics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

**Independent auditor's review report to the members of
Arana Therapeutics Limited (continued)**

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 31 March 2009 included on Arana Therapeutics Limited's web site. The company's directors are responsible for the integrity of the Arana Therapeutics Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Arana Therapeutics Limited's is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.


PricewaterhouseCoopers


Mark Dow
Partner

Sydney
14 May 2009