XTL BIOPHARMACEUTICALS LTD
Form 6-K
March 31, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of March, 2011

Commission File Number: 000-51310

XTL Biopharmaceuticals Ltd.
(Translation of registrant's name into English)

85 Medinat Hayehudim St., Herzliya
Pituach, PO Box 4033,
Herzliya 46140, Israel
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F X Form 40-F ___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ___ No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

Incorporation by Reference: This Form 6-K of XTL Biopharmaceuticals Ltd. dated March 31, 2011 is hereby incorporated by reference into the registration statements on Form F-3 (File No. 333-141529, File No. 333-147024 and File No. 333-153055) filed by XTL Biopharmaceuticals Ltd. with the Securities and Exchange Commission on March 23, 2007 , October 30, 2007 and August 15, 2008, respectively, and the registration statements on Form S-8 (File No. 333-148085, File No. 333-148754 and File No. 333-154795) filed by XTL Biopharmaceuticals Ltd. with the Securities and Exchange Commission on December 14, 2007, January 18, 2008, and October 28, 2008, respectively.

XTL Biopharmaceuticals Ltd. (the "Company") Presents Its Translated From Hebrew Financial Statements For The Year Ended On December 31, 2010

Attached hereto is an English translation (from Hebrew) of our financial statements and additional information as submitted on Tel Aviv Stock Exchange. The following documents are included:

1. Chapter A – Description of the Company's Business for the year ending December 31, 2010.
2. Chapter B – Board of Directors' Report on the Status of the Company for the Year Ending 31 December 2010.
3. Chapter C – Consolidated Financial Statements as of 31 December 2010.
4. Chapter D – Additional Company Information.
5. Chapter E – Report on the Effectiveness of Internal Control Over the Auditing of Financial Statements and the Disclosure.
6. Chapter F – Separate Financial Information in accordance with Article 9c of the Israeli Securities Regulations (Periodical and Immediate Reports).

Chapter A – Description of the Company's Business
for the Year Ending 31 December 2010

1 Glossary

1.1 For the purpose of this report, the following terms will be defined as follows:

Multiple Myeloma	Multiple Myeloma is one of the forms of blood cancer diseases comprising 10% of all blood cancers and approximately 1% of all malignancies. The disease is characterized by an uncontrollable proliferation of white blood cells of plasma cells type in the bone marrow that result in the formation of malignant cells that damage and destroy parts of the bone. The disease is multiple in its nature as reflected in the formation of a large number of malignant cells. The malignant cells and the secreted proteins are responsible for a series of clinical expressions and complications including bone damage accompanied by pain and fractures, bone marrow damage with anemia (blood deficiency), sensitivity to infections, weakened immune system, damage to the nervous system, renal failure, clotting mechanism disorders, etc. Multiple Myeloma is incurable. Patients diagnosed with the disease have an average life expectancy of 3-5 years.
Plasma Cells	A group of cells comprising approximately 2-5% of all white blood cells in the human body. The plasma cells produce immunoglobulin proteins in the body that serve as antibodies in the immune system.
Erythropoietin - EPO	A hormone produced in the human body by the kidneys. Its known role is to induce the formation of red blood cells in the bone marrow.

Recombinant EPO (Recombinant Erythropoietin)	A genetically engineered hormone that is primarily designed to act against various types of anemia, particularly anemia experienced by patients with renal failure (and who are being treated with dialysis), as well as patients suffering from various forms of cancer accompanied by anemia.
Stem Cells	Stem cells are undeveloped cells that produce the three types of blood cells. Most stem cells are found in the bone marrow, but some – known as Peripheral Blood Stem Cells (PBSC) – are collected from the bloodstream.

Self (autologous) transplant – the patient receives stem cells from his/her own bone marrow or from his/her peripheral blood.

Neuropathy / Peripheral Neuropathy	Damage to the functioning of the nerves responsible for transmitting sensations from the fingertips and legs. In mild cases, neuropathy might cause a feeling of numbness in the hands and feet. In severe cases, pains and stabbing sensation throughout the body to the point where it interferes with the extremities' functioning and movement.
T-Lymphocytes	Cells (white blood cells) in the circulatory system that serve as an important component of the immune system. Operates in several ways and is responsible for helping the body fight infections, malignant cells, etc.
Anticancer Effect	Anticancer effect is any phenomenon that causes cancer cells to stop reproducing, that eliminates them or 'freezes' their growth and spreading.

Helsinki Committee	A committee that operates by virtue of the Public Health Regulations (Clinical Trials on Human Subjects) 1980 and that is responsible for approving and monitoring clinical trials – for additional information, see Article 17.1 below.
IRB	Institutional Review Board – the corresponding committee in the US and around the world to the Helsinki Committee.
FDA	Food and Drug Administration – the agency in the United States that inspects and regulates development and registration of drugs in that country.
EMEA	European Medicines Agency – the European agency responsible for regulating the development and registration of drugs in the EU member nations. To date, approximately 30 countries are members of the EMEA1
Serious Adverse Events	Serious Adverse Event (SAE) or Serious Adverse Drug Reaction – any troublesome clinical event, in any dosage, that results in death or causes life-threatening complications or that requires hospitalization or further hospitalization or that ends in a permanent disability or handicap
Activity	The laboratory or clinical result that provides an indication of the clinical efficacy of the drug.
Efficiency	Proof of the clinical effect of the drug in human clinical trials.

1 Based on information appearing on the organization's website http://www.emea.europa.eu/htms/aboutus/emeaoverview.htm

Orphan Drug	A special track for approval and marketing of pharmaceutical preparations by the American Food and Drug Administration, the FDA. The track is designed to respond to the need to develop drugs for certain populations and for incurable and relatively rare diseases (in the US – diseases with a maximum number of patients of 200,000 and in the EU – diseases that occur in up to 5 patients out of 10,000 patients). Recognition of a drug as an orphan drug grants the manufacturer with a regulatory exclusivity in marketing the drug for a period of 7 years in the US and of 10 years in the EU.
Ethical Drug	A patent-protected drug that can only be manufactured and sold by the pharmaceutical that developed it.

2 Description of the General Development of the Company's Business

2.1 General

The company was incorporated in Israel on 9 March 1993 as a private company in accordance with the Israeli Companies Law 1999 (Hereinafter: The Companies Law), under the name Xenograft Technologies Ltd. On 3 July 1995, the company has changed its name to XTL Biopharmaceuticals Ltd., with its defined objectives being the practice of any legal activity. As of the date of this report, the Company is engaged in the development, acquisition, sale, sub-license and business ventures in the medical realm and in therapeutics for the treatment of unmet medical needs as well as improvement of existing medical treatment.

In September 2000, the company shares were listed on the main stock exchange London and the company raised approximately US$ 50.9 million in a public offering. In August 2004, the company raised US$ 17.8 million in another offering in the London Stock Exchange. Between that date and October 2007, company shares were listed on the main stock exchange in London. In October 2007, the company was de-listed from the main stock exchange in London and its shares were no longer traded there.

In July 2005, immediately following the amendment of the third addendum of the Securities Law 1968 (Hereinafter: The Law) and the addition of the first stock exchange in London as the stock exchange from which a dual listing can be carried out, the company performed a dual listing of its shares on the Tel-Aviv Stock Exchange Ltd. (Hereinafter The TASE). Since that date and to the date of this report, the company shares are listed on the TASE. Accordingly, since its' listing date on the TASE and until July 2009, the company reported in compliance with the provisions of the foreign law (by virtue of Chapter E3 of the Law). For more information, see the immediate report published by the company on 7 July 2005 (Ref: 2005-02-025750).

On September 1, 2005, the company filed with the Securities & Exchange Commission in the United States (Hereinafter: SEC) an application to list the company's American Depositary Receipts (Hereinafter: ADR) on Nasdaq under the list known as Nasdaq Global Market (Ref: 2005-02-050971). Beginning on that date and until 17 April 2009, the company's ADRs were traded on Nasdaq (See also Article H below). For more information, see the immediate report published by the company on 17 April 2009 (Ref: 2009-02-088053).

In 2005, the Company acquired from VivoQuest Inc. (hereinafter - "VivoQuest"), the exclusive worldwide and perpetual rights to VivoQuest's intangible assets, covering a compound library including certain compounds ("DOS") for the treatment of hepatitis C and other assets. (For further information about the DOS, see Immediate Report published by the Company - (reference no. 2005-02-062344). In the course of 2008, the Company out-licensed the use of the DOS technology to Presidio Pharmaceuticals Inc. (For further information see Item 18.2 below and also the Immediate Report published by the Company on March 20, 2009 (reference no. 2008-02-079572)).

In March 2006, the company, through its private offering, raised approximately US$ 28 million in consideration for allocation of 4.7 million ADRs and 4.7 million options (to acquire 4.7 million company shares or 2.3 million company ADRs). It should be noted that all the said options have expired on 22 March 2011.

In November 2007, the Company completed a fund raising of $9.8 million in a private placement in consideration of an allocation of 14.5 million ordinary shares of the Company, p.v. NIS 0.1 each (bearing in mind the share consolidation in June 2009).

In July 2009, the company shares were de-listed from Nasdaq due to a claim of the Nasdaq Audit Committee that the company has failed to comply with some of the listing criteria. Shortly after, the company's ADR began being quoted over the counter (OTC2) on the Pink Sheets, and accordingly, from this date on, the company reports in accordance with Chapter F of the Securities Law and simultaneously reports in compliance with the obligation to report in accordance with the U.S. Securities Exchange Act of 1934 regarding a foreign private issuer whose securities are held by the public. Since the de-listing of the company's ADR from Nasdaq, the company is no longer subject to Nasdaq provisions (for more information, see the immediate report published by the company on 12 July 2009 Ref: 2009-01-167058).

Despite the aforementioned, as of the date of this report, the company is listed in the SEC as a reporting company, and is therefore required to issue reports to the SEC in accordance with U.S. Securities Exchange Act of 1934 provisions. Since the company is not a corporation in the US, these requirements include the submission of a 20-F report (annual report for a foreign company) once a year as well as immediate reports regarding any changes in the company's capital structure. As a result, the company incurs expenses attributed to reporting requirements to the SEC, as aforementioned, that includes, inter alia, the cost of legal advisors in the US, Bank of New York (BONY) costs, and other various costs that were estimated, at the time of this report, to be $90,000 per year. Company costs mentioned above are as of the date of the report only. Said costs might change in the future based on a change in status, the company's market capitalization and size and/or in accordance with changes in provisions and reporting obligations imposed on the company, as the case may be from time to time.

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2 The OTC is an electronic quoting system between brokers that displays quotes, prices and trading volume of securities traded over the counter.

The company holds 100% of the issued and paid-up share capital of the U.S company XTL Biopharmaceuticals Inc. (Hereinafter: XTL Inc.), which was founded in 1999 in accordance with the laws of the state of Delaware in the United States as well as 100% of XTEPO Ltd. (Hereinafter: XTEPO), which was founded in Israel in November 2009 as a part of the Bio Gal transaction (for additional information, see Note 1b of the consolidated financial statements).

Until the start of 2008, the company was involved in the development of drugs primarily used to treat Hepatitis C and B. At the end of 2007, the company ceased the research and development plans of these drugs (with the exception of development of DOS technology, see information in Article 2.1) and an agreement was signed with Yeda Research and Development Ltd. (the technology-transfer entity of the Weizmann Institute of Science) (Hereinafter: Yeda) to revert all the rights to the company's original technologies. For additional information, see company reports from 6 June 2007 and from 29 March 2007 (Ref: 2007-02-418286 and 2007-02-351218 respectively).

XTL Inc. was involved in the development of activities and business pertaining pharmaceutical development. XTL Inc. has a fully owned company, XTL Development Inc.. (Hereinafter XTL Development), which was founded in 2007 in accordance with the laws of the State of Delaware in the US, was involved in business development, pharmaceutical development and primarily in clinical trial management of Bicifadine, a drug for diabetic neuropathic pain. As of the date of this report, XTL Inc. and XTL Development have no business activity.In 2007, the company signed an agreement with DOV Pharmaceutical Inc. (Hereinafter: DOV) to obtain an international license for the Bicifadine. For information about the company's said contractual arrangement, see company report from 16 January 2007 (Ref: 2007-02-012607)

On 18 November 2008, the company announced that phase 2b of the trial that was conducted on Bicifadine for treating diabetic neuropathic pain did not meet the clinical endpoints that had been established in advance and as such, the trial had failed. As a result of the failure to meet the clinical endpoints of the said trial, the company halted the development of Bicifadine for treating diabetic neuropathic pain, terminated the employment of most of its employees and stopped all maintenance of patents related to Bicifadine in coordination with DOV. In addition, in December 2008, the company underwent a reorganization in order to develop the company's business (Hereinafter: The Plan). The plan included, inter alia, the layoff of most company employees (who were employed in the Bicifadine development project), investment activities, cooperation and acquisition of holdings particularly in companies involved in applicable life science research and in pharmaceutical research and development (biotechnology and pharmaceuticals). For more information about the Plan, see the company report from 9 December 2008 (Ref: 2008-02-348525). On 8 March 2010, XTL Development ended the formal contractual arrangement with DOV with regards to Bicifadine, in which all intellectual property rights to Bicifadine were reverted to DOV. As of the date of this report, the company has certain rights based on milestones in the development plans of drugs for treating Hepatitis C based on DOS technology acquired in 2005 from VivoQuest and that were sold in sub-license to Presidio in 2008 for a cash payment, development milestone payments totaled $59 million by Presidio and royalties from sales. For information about said agreement, including milestones and actions adopted by the company to control progress in development, see Article 18.2 below.

On 19 March 2009, the company entered an asset purchase agreement with Bio Gal Ltd. (Hereinafter: Bio Gal) to purchase assets, rights to the patent to use Recombinant Erythropoietin to extend the lives of terminal Multiple Myeloma patients as well as improve the quality of their lives. The parties signed several extensions for the completion date of the transaction, with the last one being valid until 31 August 2010, in order to enable completion of the transaction.

On 31 December 2009, the company's board of directors approved the company's asset purchase agreement to acquire 100% of the shares of XTEPO, a private Israeli company founded by the shareholders of the Bio Gal in order to carry out the aforementioned transaction, which will receive a license for exclusive use of a patent on the Recombinant EPO drug from Bio Gal, while simultaneously investing in XTEPO 1.5 million US dollars from private investors (based on exercise of the options they were given).

In order to execute said acquisition, the company issued approximately 133 million ordinary shares to XTEPO shareholders against 100% of their holdings in XTEPO and by issuing the company's ordinary shares at an exceptional private offering in accordance with the Securities Regulations (Private Offering of Securities in a Listed Company) to XTEPO shareholders (Hereinafter: Exchange of Shares Agreement) that was approved by an extraordinary shareholders meeting on 2 March 2010 so that upon completion of said Exchange of Share Agreement, XTEPO shareholders held (along with their holdings of company share on the eve prior to the exchange of shares) approximately 70.64% of the issued and paid-up share capital of the company and the balance, of 29.36%, were held by company shareholders on the eve of implementation of the Exchange of Shares Agreement.

It should be noted that the Exchange of Shares Agreement stipulated that its implementation was contingent upon, inter alia, fulfillment of the pending conditions listed below: (a) publication of the extraordinary private placement report regarding the allocation of allotted shares; (b) ratification of the Exchange of Shares Agreement by the company's annual general shareholder meeting; (c) exercise of options by XTEPO investors so that on the date of completion of the transaction, XTEPO will have US$ 1.5 million in hand (d) Israeli tax authority approval of the transaction as an exempt transaction in accordance with Articles 103 and 104 of the Income Tax Ordinance; (e) TASE approval to list allotted shares to XTEPO shareholder.; (f) any other approval required by law to execute the Exchange of Shares Agreement required by law (Hereinafter jointly: Pending Warranty)

On 3 August 2010, all pending warranties required to complete the Exchange of Shares Agreement were fulfilled and all actions required were implemented as required according (See Note 1b of the company's financial statements on 31 December 2010).

On 27 February 2011 and after the date of the report, the company published a prospectus for completion on the Tel Aviv Stock Exchange (hereinafter: TASE) in which the company offered up to 13,210,000 ordinary shares of NIS 0.1 par value each in the company and up to 6,605,000 options (Series 1), registered to exercisable options up to 6,605,000 ordinary shares of the company, for every trading day at the TASE, from their listing date on the TASE and to 27 November 2011 and up to 19,815,000 warrant issues (Series 2), registered on behalf, that can be exercised for up to 19,815,000 ordinary shares of the company on every trading day at the TASE, from the listing date and until 27 February 2013. For more information, see Article 4.1 of the company's board of directors' report and the company report from 27 February 2011 (Ref: 2011-01-063012).

On 7 March 2011, and in accordance with the prospectus published by company as previously mentioned, the company published a supplementary notice (Ref: 2011-01-071685) that, inter alia, reduced the number of securities being offered by the company in accordance with the Prospectus as follows: the new number of securities was established for up to 10,700,000 ordinary shares of NIS 0.1 per share of the company and up to 5,350,000 warrant issues (Series 1), listed on behalf, that can be exercised up to 5,350,000 ordinary shares of the company, on every trading day at the TASE, from their listing date on the TASE and until 27 November 2011 and until 16,050,000 warrant issues (Series 2) listed on their behalf, and that can be exercised for up to 16,050,000 ordinary shares of the company.

On 7 March 2011 (Ref: 2011-01-072879), the company published an immediate report regarding the results of the bid in accordance with the aforementioned supplementary notice (Hereinafter The Bid) as detailed below:

During the bid, 58 orders to purchase 79,004 with a total value of NIS 10,553,017.

Demand for the balance in the offering was 185% higher and the unit price set in the bid was NIS 132.25.

19 orders to purchase 19,953 units listed at the unit price that is higher than the unit established in the bid – were fully filled.

2 orders to purchase 30,600 units at the price per unit established in the bid, were partially filled. Each of the investors received 74.66% of their order.

37 orders to purchase 28,451 units listed at a unit price that is lower than the price set forth in the bid – were not filled.

The number of units, ordered at unit price, or higher, exceeded the total units offered, resulting in oversubscription. Accordingly, the company exercised its right to allocate additional units as stipulated in Article 2.2.6.2 of the Prospectus and Article 1.4 of the Supplementary Notice above (Hereinafter: The Additional Allocation). Within the confines of the Additional Allocation, the company allotted 6,420 units to ordering parties who submitted the orders at the established unit price, and 95.64% of their orders were filled.

Total immediate consideration (gross) the company received for the securities offered to the public in accordance with the Supplementary Notice, including the Additional Allocation, totaled NIS 6,509,345.

On March 24, 2011, the Company has entered into a term sheet to acquire the activity of MinoGuard Ltd. ("MinoGuard") by an exclusive license to use MinoGuard's entire technology in return for royalties on sales and milestone payments throughout the clinical development process, without making any other payments in cash. MinoGuard was founded in 2007 in order to commercialize combination therapies for treating psychotic diseases, focusing on schizophrenia. The transaction is subject, among others, to due diligence studies, examination of the regulatory track for the continued development of the drug and the approval of the Company's Board. For more information, see Article 18.4 below.

2.2 Below is a chart outlining the structure of the company's holdings as of the date of this report:

2.3 Information about XTEPO

XTEPO is a private company that incorporated and was registered in Israel on 9 November 2009, in accordance with the Companies Law 5759 – 1999 (Hereinafter The Companies Law)

3 The Group’s field of activity

Given the completion of the exchange of shares agreement stipulated in Article 2.1 above and as of the date of this report, the company (the company, subsidiaries, including XTEPO, hereinafter jointly The Group) is focused on the planning, research and development for the commercialization of a new indication for use of Recombinant EPO for the treatment of multiple myeloma patients, as detailed below:

3.1 General

Along with compliance with all pending conditions and completion of the exchange of shares agreement as stipulated in Article 2.1 above, transferred to the Group, via XTEPO, was exclusive usage license of a patent for using the drug Recombinant EPO to treat patients with multiple myeloma that is based on a series of studies that included, inter alia, an empirical observation of patients treated with Recombinant EPO by Prof. Moshe Mittelman. Prof. Moshe Mittelman who serves as a medical director in the company is an internationally renowned hematologist who found in empirical observations that treatment with recombinant EPO may extend the life expectancy of patients with multiple myeloma while significantly improving their quality of life while causing less side effects than those caused by current treatments. During their lab work, Prof. Mittelman and his team found that recombinant EPO had an anticancer effect based on the strengthening of the immune system. For information about the licensing agreement, see Article 18.1 below.

3.2 The Group Drugs

EPO

Recombinant EPO is a drug that is, as of the date of this report, used to treat (i) anemia in patients with renal failure (dialysis) and (ii) anemia in cancer patients. Recombinant EPO was developed, manufactured and marketed by Johnson & Johnson, Hoffman La Roche and Amgen, and generates billions of dollars in sales every year, and is therefore considered a drug with an extremely large market scope. The drug has been administered to millions of patients over the past 20 years, resulting in extensive clinical experience with the drug and safety information about it. As of the date of this report, the Group began preparing for a Phase 2 clinical trial on multiple myeloma patients in Israel and in other countries, in accordance with the clinical protocol that was received as part of the Bio Gal deal and that will be updated by the company ahead of its approval by the FDA and other ministries of health as the case may be. The protocol is based on the information that was collected about the use of recombinant EPO and the expectation that it may prolong the life of multiple myeloma patients while significantly improving their quality of life and causing less side effects than currently available treatments.

3.3 Drug Development Process – General Description

Drug development is a complex process that generally includes the following primary stages3. Each stage must comply with the health agencies' criteria before the next stage can begin, as follows:

a) Preclinical Phase – this phase includes trials in labs and on animals in order to demonstrate the efficiency of the drugs in models that simulate the disease for which the drug is being investigated. The preclinical phase also includes trials under meticulous conditions in order to determine whether the drug has any toxic adverse events and to learn about the various characteristics in animals. In addition, the preclinical stage includes development of manufacturing methods under GMP (Good Manufacturing Practice – which is a collection of manufacturing requirements that the drug must comply with in order to allow the administration of the drug to patients in the future).

b) Phase 1 – this is the first clinical phase in drug development in which an initial test is carried out on humans. The phase is designed to assess the safety of the drug as well as the maximum dosage that can be safely administered to patients. This phase may also include additional tests such as drug dispersal in the body and how long the drug remains in the blood, measurements that will help asses its biological availability, etc. There are instances in which this trial phase is carried out on healthy individuals and in other cases, the trial is carried out on patients with the investigated disease.

3 The description of the stages is general and changes might be made in various drugs. For example, in certain circumstances, Phases 1 and 2, or occasionally 2 and 3 might be merged.

c)Phase 2 – In this phase, an initial test of the efficiency of the drug is carried out in patients. In addition, this phase attempts to determine the optimal dosage of the drug to treat patients. At the same time, the phase continues to test its safety. Several Phase 2 trials are often carried out while the first Phase 2 trial (Phase 2a) is designed to serve as proof of concept and the second Phase 2 trial (Phase 2b) is a broader trial that includes a larger number of patients and that is carried out in a larger number of medical centers than was Phase 2a.

d)Phase 3 – the decisive phase of multinational, multicenter, randomized, placebo controlled, double blind trials. This phase includes the largest number of subjects (hundreds and even thousands) and the trial is carried out in a large number of medical centers around the world. The purpose of this phase is to prove the efficiency and safety of the drug in a large number of patients in a way which simulates as much as possible (more than the previous phases) the manner in which the drug will be used in the clinical practice. Following successful conclusion of this phase, applications can be submitted to the health agencies for receipt of approval to register the drug.

It should be emphasized that the conduct of clinical trials on human beings in each of the phases, Phase 1, Phase 2 and Phase 3 requires the prior approval of the Helsinki Committee/ IRB and of the regulatory agencies in the countries where the clinical trials are being conducted. It should be noted that only successful results in the preliminary phases will guarantee the possibility of moving on to the next stage.

Once all of the said phases (including completion of Phase 3) have been successfully completed, the Group can submit an application for approving the drug's registration by the relevant regulatory agency, e.g. the FDA in the US.

The development process, as previously mentioned, takes many years and requires extensive funding due to the prolonged duration of the trials, the process for obtaining approval, and obtaining information and results from the trials, at the end of which the Group will be able to submit an application for approval to register the drug by the FDA or any corresponding regulatory agency in any other country. Occasionally, the clinical development, including the conduct of clinical trials, is carried out with the assistance of expert subcontractors who are entrusted with operating under the meticulous professional standards dictated by the regulatory requirements.

4 Investment in Company Capital and Shares Transactions

With the exception of the execution of the exchange of shares agreement stipulated in Article 2.1 above, no investment in company capital or any other significant transaction was carried out by any party of interest in the company in the two years preceding the date of this report. After the balance sheet date on 7 March 2011, the company offered shares and options through a prospectus in which one party of interest participated – Mr. Alex Rabinovich (See Article 2.1 above).

5 Distribution of Dividends

Since the date of the company's founding and to the date of this report, the company did not distribute dividends and the company has no 'profits' regarding the profit criterion as stipulated in Article 302 of the Companies Law 1999.

As of the date of this report, the company did not have a distribution of dividends policy.

Section Two – Additional Information

6Financial Information About the Group’s Field of Activity

As of the date of this report, the Group has no significant development operations. Below is financial information about the Group (the financial information for the period preceding the date of completion of the exchange of shares agreement as stipulated in Article 1.3 above refers to the Group's operations not including XTEPO)

	Summary of Consolidated Statements on Financial Status $ in Thousand	
	on 31 December 2010	on 31 December 2009
Total Assets	3,797	715
Total Liabilities	963	708
Equity	2,834	7

	Summary of Consolidated Statements on Profit (Loss) Total$ in Thousands For the Year Ending		
	31 December 2010	31 December 2009	31 December 2008
Revenue	-	-	5,940
Gross Profit	-	-	4,099
R&D Expenses	64	-	11,722
Administrative and General Expenses	1,222	(* (2,429)	3,937
Loss from Depreciation of Intangible Assets	-	-	7,500
Other Profits, Net	30	&#	