XTL BIOPHARMACEUTICALS LTD
Form 6-K
November 29, 2010

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 September, 2010

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 o

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 o 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 November 24, 2010 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 Presents Its Translated From Hebrew Financial Statements as of September 30, 2010

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

A. Board of Directors' Report on the Corporation's Business Position as of September 30, 2010.

B. Interim consolidated Financial Statements as of September 30, 2010.

C. Separate Financial Information as of September 30, 2010, in Accordance With Regulation 38d To The Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

XTL BIOPHARMACEUTICALS LTD.

DIRECTORS' REPORT ON THE COMPANY'S STATE OF AFFAIRS

AS OF SEPTEMBER 30, 2010

The board of directors of XTL Biopharmaceuticals Ltd. ("the Company") hereby presents the Company directors' report for the nine and three months ended September 30, 2010.

The data presented in this report relate to the Company and its subsidiaries on a consolidated basis ("the Group"), unless explicitly stated otherwise.

The directors' report contains, among other things, a brief description of the Company's business, its financial position, an analysis of operating results and their effect of events during the reported period on the data in the consolidated financial statements of the Company as of September 30, 2010 ("the financial statements"). The directors' report was prepared based on the assumption that the directors' report for the year ended December 31, 2009 is also available to the reader. It should be noted that the financial statements include a "going concern" warning as detailed in paragraph 1.3.4 below.

1. PART 1 - THE BOARD OF DIRECTORS' EXPLANATIONS FOR THE STATE OF THE CORPORATION'S BUSINESS

1.1 A brief description of the Company's business

The Company develops drugs, among other things, for the treatment of unmet of unmet medical needs as well as improvement of existing medical treatment and business ventures in the medical realm. The Company was incorporated under the Israeli Companies Law on March 9, 1993. The Company owns 100% of the share capital of Xtepo Ltd. ("Xtepo") as well as 100% of the share capital of an American company, XTL Biopharmaceuticals Inc. ("XTL Inc.") which was incorporated pursuant to the laws of the State of Delaware, U.S. in 1999.

As of the date of the approval of these financial statements, the Company has commenced the preparations for adopting the EPO drug Phase 2 clinical trial development plan for treating cancer patients with multiple myeloma.

The Company also has certain rights based on milestones in the development of treatment for hepatitis C ("DOS") from Presidio Pharmaceuticals Inc. ("Presidio"). Presidio is a U.S. private biotech company.

The Company's subsidiaries are as follows:

Xtepo - an Israeli privately-held company incorporated in Israel in November 2009 by Bio-Gal Ltd.'s shareholders for the execution of the Bio-Gal transaction (see 1.2 below) and which holds the exclusive license to use a patent of the recombinant EPO drug for treating cancer patients with multiple myeloma.

XTL Inc. was engaged in drug development and business ventures in the medical realm. XTL Inc. has a wholly-owned subsidiary, XTL Development Inc. ("XTL Development"), which was incorporated under the laws of the State of Delaware, U.S. in 2007 and was engaged in the development of a drug for the treatment of diabetic neuropathic pain ("Bicifadine") until November 18, 2008, on which date the Group announced that the endpoints of the Phase 2b clinical trial of Bicifadine had not been achieved and therefore it was discontinuing the drug's development.

The Group has one operating segment.

The Company is publicly traded on the Tel-Aviv Stock Exchange and in the regulatory framework of the Pink Sheets in the U.S. using the Company's American Depositary Receipts ("ADRs").

1.2 Significant events during the reported period

- In furtherance to the discussed in the Directors' Report as of December 31, 2009, on August 3, 2010, the Bio-Gal transaction was completed according to the outline signed by the parties to the agreement on December 31, 2009, after all the prerequisites had been met, including, among other things, signing an agreement with the Israeli Tax Authority regarding the tax exemption granted to the share swap transaction pursuant to Articles 104b(f), 103c and 103t to the Income Tax Ordinance (Revised), 1961.

The agreement with the Israeli Tax Authority was signed on July 15, 2010, based on understandings reached with the Israeli Tax Authority which was approved by the Company, Xtepo, Bio-Gal and their shareholders (see also Note 1b to the financial statements).

Following the closing of the transaction, the Company recognized in its accounts for the third quarter of 2010 an intangible asset representing the exclusive license to use a patent of recombinant EPO drug for the treatment of multiple myeloma as well as all the research and accumulated know-how underlying the patent in a total of approximately $ 2.3 million, based on its fair value upon the date of initial recognition on August 3, 2010, and this based on an independent external valuation. Further, after closing, Xtepo received an amount of approximately $ 1.5 million in its account.

- On January 26, 2010, the Company's board of directors approved to allocate 100,000 stock options to an employee of the Company. The stock options are exercisable into 100,000 Ordinary shares of NIS 0.1 par value each for an exercise increment of NIS 0.1 per stock option. Pursuant to the guidance of IFRS 2 and using the Black & Scholes model, the fair value of all stock options on the date when the board of directors accepted its decision was approximately $ 10 thousand. The option exercise term is for a maximum period of 10 years from the grant date. The options are exercisable in equal installments at the end of every calendar quarter from the date of allocation over a three-year period.

- On March 2, 2010, an extraordinary meeting of the shareholders approved the Bio-Gal transaction and the share swap according to the transaction outline signed between the parties on December 31, 2009 and issued to the public on January 14, 2010. As for the completion of the transaction, see later in this chapter "significant events during the period", below.

- On March 2, 2010, the annual general meeting of the Company's shareholders was convened and approved the following issues:

1. Reappoint auditors - approved to reappoint the accounting firm Kesselman & Kesselman (PwC Israel) as the Company's auditors for 2009 and authorized the Company's board of directors to determine their fees.

2. Reappoint directors - approved to reappoint Messrs. Mark Allouche, Amit Yonay, Boaz Shweiger and David Grossman as directors in the Company until the next annual meeting, as well as to grant each of the directors 150,000 registered unquoted options (except Mr. David Grossman who also acts as the Company's CEO) exercisable into 150,000 Ordinary shares of NIS 0.1 par value each for an exercise increment of NIS 0.298 per stock option. Pursuant to the guidance of IFRS 2 and using the Black & Scholes model, the fair value of all stock options on the date of the approval of the Company's general meeting was approximately $ 36 thousand. The option exercise term is for a maximum period of 10 years from the grant date in such a manner that 33.33% of the stock options become exercisable immediately upon grant and the remaining 66.67% of the stock options are exercisable in equal monthly installments from the date of allocation over a period of 24 months. On November 22, 2010, Mr. Shweiger ceased his directorship in the Company, 63,699 of the total options that were granted to him as mentioned-above, were forfeited in accordance.

3. Subject to the completion of the Bio-Gal transaction, which was closed on August 3, 2010, the employment terms of Mr. David Grossman as the Company's CEO and director were approved as well as the grant of 1,610,000 registered unquoted options exercisable into 1,610,000 Ordinary shares of NIS 0.1 par value each for an exercise increment of NIS 0.075 per stock option. Pursuant to the guidance of IFRS 2 and using the Black & Scholes model, the fair value of all stock options on the date of the approval of the Company's general meeting was approximately $ 133 thousand. The option exercise term is for a maximum period of 10 years from the grant date in such a manner that 33.33% of the stock options become exercisable immediately upon grant and the remaining 66.67% of the stock options are exercisable in equal monthly installments from the date of the approval of the Board (January 18, 2010) over a period of 24 months.

The Company also committed to supplement for the difference between the par value of the share and the exercise price under this plan on the actual date of exercise by transferring amounts from share premium to share capital.

- In March 2010, the Company terminated the license agreement with DOV Pharmaceutical Inc. in the issue of the Bicifadine drug and all the rights under the agreement were reverted to DOV Pharmaceutical Inc. in coordination with it.

- On August 27, 2010, the Company's board of directors approved the employment agreement of Prof. Moshe Mittelman as a senior officer - Medical Director of the development plan of the recombinant EPO for treating multiple myeloma. It also approved to allocate 640,000 (unregistered) stock options exercisable into 640,000 Ordinary shares of NIS 0.1 par value each for an exercise increment of NIS 0.1 per stock option. According to the Black & Scholes model, the fair value of all stock options on the date when the board of directors accepted its decision was approximately $ 50 thousand. The option exercise term is for a maximum period of 10 years from the grant date in such a manner that the stock options are exercisable in equal monthly installments from the record date over a period of 24 months. Upon the commencement of a Phase 2 clinical trial (first-in-man), Prof. Moshe Mittelman will be entitled to exercise 50% of the unvested options on that date and, in addition, upon the termination by the Company with no cause, he will be entitled to exercise 25% of the unvested options until the date of the said termination.

- On September 1, 2010, the Company and Yeda Research and Development Co. Ltd. ("Yeda") entered into a purchase agreement of an exclusive right to examine a medical technology in the field of the immune system. Under the agreement, the Company purchased this right to examine the medical technology for a 15-month period in consideration of $ 120 thousand payable at the Company's sole discretion in cash or by issuance of options with equivalent value in lieu of that payment 12 months after the date of the closing of the agreement and up to 2% of the issued and outstanding share capital of the Company on a fully diluted basis at the date of such allocation. In the event of raising by a prospectus to the public of more than $ 2 million, the Company is obligated to settle the payment in cash. Yeda is entitled to cancel this agreement 12 months after its closing should the Company not raise funds in a minimal amount of $ 1.5 million from any source whatsoever. Upon the Company's decision to exercise its right to attain such medical technology, it should give notice to Yeda and thereafter the Company and Yeda shall sign a license agreement according to the customary terms at Yeda less 15% of the market price for such license as customary at Yeda.

- On September 19, 2010, the Company received from its patent attorney a notice that the Canadian Patent Office approved the Company a patent which grants exclusive right to use the recombinant EPO drug for treating cancer patients with multiple myeloma until 2019 and this besides the existing patents that are registered in the territories and states of the U.S., Europe, Israel, Hong-Kong and Japan.

This approval is the last one in the Company's list of requests for patents in connection with this drug.

1.3 The financial position, operating results, liquidity and financing resources

1.3.1 Financial position

Balance sheet highlights (U.S. dollars in thousands)

	September 30, 2010		December 31, 2009	
Line item	Amount $ 000	% of total balance sheet	Amount $ 000	% of total balance sheet
Total balance sheet	3,995	100%	715	100%
Equity	3,108	78%	7	1%
Current assets	1,396	35%	557	78%
Restricted deposits (long term)	20	1%	-	0%
Fixed assets	15	0%	23	3%
Intangible assets	2,564	64%	-	0%
Other investments	-	0%	135	19%
Short-term liabilities	887	22%	708	99%

Equity

The Company's equity as of September 30, 2010 was approximately $ 3,108 thousand, an increase of approximately $ 3,101 thousand from December 31, 2009, representing 78% of total balance sheet compared to 1% of total balance sheet as of December 31, 2009. The increase in equity was primarily a result of issuance of 133,063,688 shares on August 3, 2010, under the Bio-Gal transaction less the loss in that period.

Assets

Total current assets as of September 30, 2010 was approximately $ 1,396 thousand, an increase of approximately $ 839 thousand (151%), compared to approximately $ 557 thousand as of December 31, 2009. The change was primarily a result of increase in the Group's balances of cash and cash equivalents after raising $ 1.5 million under the Bio-Gal transaction less negative cash flows from operating activities.

The Group's balance of cash and cash equivalents as of September 30, 2010 was approximately $ 1,377 thousand, an increase of approximately $ 965 thousand (234%), compared to cash balance of approximately $ 412 thousand as of December 31, 2009.

Total fixed assets as of September 30, 2010 was approximately $ 15 thousand compared to approximately $ 23 thousand as of December 31, 2009, with no material changes.

The balance of intangible assets as of September 30, 2010, which was approximately $ 2,564 thousand is mainly composed of the acquisition of the exclusive license to use a patent of recombinant EPO drug for treating multiple myeloma under the Bio-Gal transaction, which was closed on August 3, 2010, as above, including costs involved in the Bio-Gal transaction of approximately $ 187 thousand which were capitalized upon closing, compared to other investments of approximately $ 135 thousand as of December 31, 2009, originating from the capitalization of costs involved in the Bio-Gal transaction.

Liabilities

The carrying amount of trade payables as of September 30, 2010 totaled approximately $ 200 thousand, compared to approximately $ 192 thousand as of December 31, 2009, an increase of about 4%, with no material changes.

The carrying amount of accounts payable as of September 30, 2010 totaled approximately $ 687 thousand compared to approximately $ 516 thousand as of December 31, 2009, an increase of 33%. The growth in liability is mainly a result of increase in accrued expenses to service providers in connection with the Bio-Gal transaction and increase in the liability to pay to the Company's CEO his salary for the last nine months (his employment was dependent upon the completion of the Bio-Gal transaction which was closed on August 3, 2010).
Total current liabilities to suppliers, service providers and other accounts payable to September 30, 2010, totaled at approximately $ 887 thousand.

1.3.2 Analysis of operating results

Condensed statements of income (U.S. dollars in thousands)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
			$000		
General and administrative expenses	948	*) (2,729)	296	130	*) (2,429)
Other gains (losses), net	-	144	-	144	139
Operating income (loss)	(948)	2,873	(296)	14	2,568
Financial income (expenses), net	6	2	6	(5)	(4)
Income (loss) before taxes on income	(942)	2,875	(290)	9	2,564
Tax benefit	-	-	-	-	23
Net income (loss) for the period attributable to equity holders of the Company	(942)	2,875	(290)	9	2,587

*) During 2009, the expenses recognized were lower by approximately $ 4.1 million due to forfeiture of performance-based options of the former chairman and former CEO of the Company.

It is indicated that on August 3, 2010, the Company closed the Bio-Gal transaction and commenced preparation to implement the development program of Phase 2 clinical trial in the EPO drug for treating cancer patients with multiple myeloma.

General and administrative expenses

General and administrative expenses in the nine and three months ended September 30, 2010 totaled approximately $ 948 thousand and $ 296 thousand, respectively compared to negative expenses (income) of $ 2,729 thousand and expenses of $ 130 thousand in the corresponding periods last year.

The increase in expenses was due mainly to the following reasons:

In the first half of 2009, the Company recorded a decrease in general and administrative expenses following a reversal of expenses from previous years in respect of options of the former chairman and former CEO of the Company because the terms of the options were not met. The effect of the options which were forfeited immediately after their departure amounted to approximately $ 4.1 million. General and administrative expenses in the nine months ended September 30, 2009 less the effect of the reverse of expenses in respect of options of the former chairman and former CEO of the Company totaled approximately $ 1,372 thousand, compared to approximately $ 948 thousand in the current period of nine months, a decrease of approximately $ 424 thousand (31%) which mainly arises from the decrease in salary expenses following downsizing steps in the Company, decrease in office rent expenses (termination of the U.S. office lease contract and reduction of the Company's offices in Israel) and decrease in the Company's operating expenses as part of the reorganization plan performed by the Company immediately after announcing the failure to achieve the Bicifadine drug clinical trial endpoints at the end of 2008, as described in Note 1 to the financial statements.

Other gains (losses), net

The Company did not derive (incur) any other gains (losses) in the nine and three months ended September 30, 2010. In the nine and three months ended September 30, 2009, the Company derived other income of approximately $ 144 thousand which originated from a compromise settlement entered into with different suppliers regarding past debts.

Financial income

Financial income in the nine and three months ended September 30, 2010 totaled approximately $ 6 thousand for both periods compared to financial income of approximately $ 2 thousand and financial expenses of approximately $ 5 thousand in the corresponding periods of last year, respectively, with no material changes. Financial income for 2009 and 2010 derived mainly from interest on bank deposits less bank expenses and commissions.

Taxes on income

The Company had no tax expenses (income) in the nine and three months ended September 30, 2010 nor in the corresponding periods of last year.

Net income (loss) for the period

Loss in the nine and three months ended September 30, 2010 totaled approximately $ 942 thousand and $ 290 thousand, respectively, compared to net income of approximately $ 2,875 thousand and $ 9 thousand in the corresponding periods of last year. The change is basically explained by reverse of expenses (decrease of expenses) from previous years in a total of approximately $ 4.1 million, which was recorded in the first half of 2009 in respect of the options of the former chairman and former CEO of the Company following the non-fulfillment of the option terms and their forfeiture after their departure, which led to offsetting current general and administrative expenses and recording a gain (see also explanation in the item on general and administrative expenses above). The operating results in the first nine months of 2009 after the neutralization of the effect of the reversal of the options amount to a loss of approximately $ 1,226 thousand compared to a loss of approximately $ 942 thousand in the first nine months of 2010. The change arises from reducing current expenses and general streamlining measures expressed by downsizing in keeping with the reorganization plan effected by the Company at the end of 2008, as explained above.

Basic and diluted loss per share in the nine and three months ended September 30, 2010 amounted to $ 0.011 and $ 0.002, respectively, compared to basic and diluted earnings per share of approximately $ 0.049 and less than $ 0.001 in the corresponding periods of last year, respectively (see also the item on general and administrative expenses above regarding the reversal of option expenses that increased net income last year).

1.3.3 Cash flows

Cash flows used in operating activities in the nine and three months ended September 30, 2010 totaled approximately $ 453 thousand and $ 209 thousand, respectively, compared to cash flows used in operating activities of approximately $ 2,260 thousand and $ 235 thousand in the corresponding periods of last year, respectively. The main decrease in the negative flow is a result of discontinuing the development activity of the Bicifadine drug (see section 1.3.2 above), cutting down operating expenses and downsizing personnel and facilities in keeping with the reorganization plan effected by the Company at the end of 2008, immediately after announcing the failure to achieve the Bicifadine drug clinical trial endpoints (see Note 1 to the financial statements).

Cash flows used in investing activities in the nine and three months ended September 30, 2010 totaled approximately $ 55 thousand and $ 24 thousand, respectively, compared to cash flows used in investing activities of approximately $ 24 thousand in the corresponding periods of last year. The decrease in cash from investing activities in the period derived from costs in connection with the Bio-Gal transaction less decrease in restricted deposits. Cash used in investing activities of approximately $ 24 thousand in the corresponding periods of last year also derived from costs in connection with the Bio-Gal transaction less decrease in restricted deposits.

Cash flows provided from financing activities in the nine and three months ended September 30, 2010 totaled approximately $ 1,473 thousand in both periods and they derived from the closing of the Bio-Gal transaction under which the Group received that amount. The Company did not use/provide cash flows from financing activities in the corresponding periods of last year.

1.3.4 Going concern warning

The financial statements as of September 30, 2010 include the following going concern warning:

”Without qualifying our conclusion above, we draw your attention to note 1(c) of the financial statements which discusses the Bio-Gal transaction that was completed on August 3, under which the group received approximately 1.5 million dollars. Upon completion of the transaction, the company commenced preparations to implement the development program of the recombinant EPO drug for the treatment of Multiple Myeloma cancer patients. However, since the Company has no revenues from operations, the Company’s ability to continue operating will require obtaining additional financial resources. Since there is no certainty regarding such fundraising, there is substantial doubt regarding the Company's ability to continue operating as a “going concern”. These financial statements include no adjustments of the values of assets and liabilities and the classification thereof, if any, that will apply if the Company is unable to continue operating as a “going concern””.

For more details, see Note 1c to the financial statements.

1.3.5 Financing resources

The Group finances its activity using shareholders' equity and suppliers' credit. As of September 30, 2010, the Group's balance of cash and cash equivalents amounted to approximately $ 1,377 thousand and balances of long-term deposits amounted to approximately $ 20 thousand.

2. PART 2 - EXPOSURE TO MARKET RISKS AND THEIR MANAGEMENT

2.1 Exposure to market risks and their management

a. Responsibility for market risk management of the Group - the officer responsible for market risk management of the Group is Mr. Ronen Twito, the CFO of the Company.

   b. Description of the market risks the Company is exposed to – the Group is exposed to a variety of market risks in its way of doing business, including exchange rates of the NIS compared to the US dollar as the functional currency of the Company is US dollar and most of the expenses of the Company are in US dollar; and the effect of the crisis in the financial markets.

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c. The Company's market risk management policy – on November 24, 2010, the Group's Board has adopted a resolution that the market risk management will be conducted so that at any given time the Company's currency will be in US dollar, except the amount required for NIS payments in the next three months.

d. The supervision on risk management policy – the Group identifies and assesses its main risks. Financial risk management is done by the Group in accordance to the approved policy by the Board and management of the Company.

2.1.1 Exchange rate risk

The majority of the Company's expenses are denominated in U.S. dollars against which the Company holds its available cash in U.S. dollars or linked thereto. Nevertheless, some of the Company's expenses are denominated in NIS, which exposes the Company to changes in the exchange rate of the NIS in relation to the U.S. dollar. The Company acts to minimize the currency risk by holding part of its available cash in NIS up to the amount of NIS liabilities in accordance with the Company's management estimate as to the expected NIS liabilities in the three coming months.

In order to hedge itself against economic exposure, which does not contradict the accounting exposure, the Company holds substantially all of its current assets in foreign currency balances or linked thereto.

2.1.2 Risks arising from changes in the economic environment and the global financial crisis

The Company's management estimates that the global financial crisis may have a negative impact on the Group's ability to raise funds in order to continue its activity as required (see Note 1c to the financial statements).

The Company's investment policy is to invest only in bank deposits and, accordingly, it is not exposed to changes in the market prices of quoted securities.

Currently the Company has no sales and it does not expect sales in the foreseeable future. Likewise, the Company's management estimates that the future market for the products being developed by it is in relatively fixed demand level since an incurable disease is being dealt with and, accordingly, the future exposure to changes in the economic environment is low compared to other medical products.

2.2 Linkage basis report

Linkage basis of balance sheet items as of September 30, 2010:

	U.S.$	NIS	Other currencies	Non-monetary	Total
Assets:			$000		
Cash and cash equivalents	1,170	204	3	-	1,377
Accounts receivable	-	13	-	6	19
Restricted deposits (long-term)	-	20	-	-	20
	1,170	237	3	6	1,416
Liabilities:					
Trade payables	168	32	-	-	200
Other accounts payable	391	296	-	-	687
	559	328	-	-	887
Monetary assets less monetary liabilities	611	(91)	3	6	529

Linkage basis of balance sheet items as of September 30, 2009:

	U.S.$	NIS	Other currencies	Non-monetary	Total
Assets:			$000		
Cash and cash equivalents	609	29	2	-	640
Accounts receivable	6	14	-	-	20
Income taxes receivable	49	-	-	-	49
Restricted deposits	40	-	-	-	40
	704	43	2	-	749
Liabilities:					
Trade payables	176	45	7	-	228
Other accounts payable	405				