

Cellmid Limited

Appendix 4E

Preliminary final report

Details of reporting period

ABN or equivalent company reference	69 111 304 119
Financial year ended ('current period')	30 June 2014
Previous corresponding period	30 June 2013

Results for announcement to the market

Financial Results				June 2014
				\$
Revenues	up	267%	to	2,795,948
(Loss) after tax attributable to members	Down	3.5%	to	(1,473,815)
Net loss for the period attributable to members	Down	3.5%	to	(1,473,815)

Dividends
The Directors do not propose that Cellmid Limited will pay a dividend

Earnings/(loss) per share	June 2014	June 2013
Basic and diluted loss per ordinary share	(0.21) cents	(0.27) cents

Net Tangible Asset Backing	June 2014	June 2013
Net tangible asset backing per ordinary share	0.51 cents	0.48 cents

Other explanatory notes
Refer to review of operations and financial performance contained in the Directors Report.

Audit
The financial statements on which this Preliminary Financial Report is based have been audited.

The information required by listing rule 4.3A is contained in both this Appendix 4E and the attached Annual Report.

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Cellmid Limited

ABN 69 111 304 119

Financial Statements

For the Year Ended 30 June 2014

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For the Year Ended 30 June 2014

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**Directors' Report
For the Year Ended 30 June 2014**

The directors present their report, together with the financial statements of the Group, being Cellmid Limited ("the Company") and its Controlled Entities, for the financial year ended 30 June 2014.

1. General information

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Dr David King	Chairman (Non-executive)
Qualifications	Fellow of The Australian Institute of Company Directors, Fellow of the Australian Institute of Geoscientists and a PHD in Seismology from the Australian National University.
Experience	Experience in high growth companies and a track record in starting business ventures and developing them into attractive investment and/or take-over targets.
Interest in shares and options	Shares: 22,500,000 indirectly held. Options: 11, 250,000 indirectly held (Expiry: 23 October 2016, exercisable at \$0.034 each).
Special responsibilities	Chairman of the Remuneration Committee and Nomination Committee, and member of the Audit Committee.
Other directorships in listed entities held in the previous three years	Current directorships - Robust Resources Limited, Republic Gold Limited, Galilee Energy Limited, African Petroleum Corporation Limited and Tengri Resources Previous directorship - Gas2Grid Limited, Ausmon Resources Limited, Sapex Limited and Eastern Star Gas Limited.
Ms Maria Halasz	Managing Director (Executive)
Qualifications	A Graduate of the Australian Institute of Company Directors; MBA, BSc in microbiology.
Experience	Over 20 years' experience in biotechnology companies; initially working in executive positions in biotechnology firms, then managing investment funds and later holding senior positions in corporate finance specialising in life sciences.
Interest in shares and options	Shares: 13,050,000 directly held. Shares: 9,450,000 indirectly held. Options: 7,000,000 (Expiry: 20 November 2014, exercisable at \$0.056 each) indirectly held. Options: 1,500,000 (Expiry: 23 October 2016, exercisable at \$0.034 each) indirectly held. Options: 5,000,000 (Expiry: 15 June 2017, exercisable at \$0.03 2 each) indirectly held.
Special responsibilities	Managing Director and Chief Executive Officer.
Other directorships in listed entities held in the previous three years	None.

**Directors' Report
For the Year Ended 30 June 2014**

Information on directors (continued)

Mr Martin Rogers	Director (Non-executive)
Qualifications	Chemical Engineering and Science Degrees from University of New South Wales
Experience	Mr Rogers has been both an investor and senior executive in a private funded advisory business in the science and biotechnology sectors, where he was instrumental in significantly increasing the value of those investments. Mr Rogers also holds a number of not-for-profit roles.
Interest in shares and options	Shares: 5,155,700 shares indirectly held. Options: 41,000,000 (Expiry: 23 October 2016, exercisable at \$0.034 each) indirectly held
Special responsibilities	Member of the Audit Committee and member of the Remuneration Committee
Other directorships in listed entities held in the previous three years	Chairman of Actinogen Limited, non-executive director of Rhinomed Ltd and non-executive chairman of OncoSil Medical Limited
Mr Graeme Kaufman	Director (Non-executive)
Qualifications	BSc & MBA from Melbourne University
Experience	Over 46 years' experience in biotechnology spanning technical, commercial and financial areas. Having worked for 34 years at CSL Limited, Australia's largest biopharmaceutical company, he held senior positions including Production Director, General Manager Finance and General Manager Biosciences.
Interest in shares and options	Nil
Special responsibilities	Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee.
Other directorships in listed entities held in the previous three years	Bionomics Ltd and IDT Australia Ltd

Company Secretary

Mr Jillian McGregor	Joint Company Secretary (Appointed 16 July 2013)
Qualifications	Bachelor of commerce and law from University of New South Wales
Experience	Jillian has worked as a corporate lawyer for more than 15 years in mid and top tier Australian law firms. During this time she has provided Corporations Act and ASX Listing Rule advice to many ASX listed companies including advice on related party transactions, capital raising requirements, and meeting continuous disclosure requirements.
Mr Nicholas Falzon	Joint Company Secretary and Financial Controller
Qualifications	Bachelor of Business at UTS and a member of the Institute of Chartered Accountants of Australia
Experience	As a partner at PKF Lawler Partners Nicholas works with a number of listed and unlisted companies advising them on all aspects of their financial management.

Directors' Report
For the Year Ended 30 June 2014

Information on directors (continued)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year were:

- The development and commercialisation of diagnostic and therapeutic products for the management of diseases such as cancer and various chronic inflammatory conditions by targeting midkine (MidkineBusiness); and
- the development and sale of over-the-counter (OTC) treatments to alleviate excessive and abnormal hairloss and re-establish the natural hair growth cycle (Consumer Health Business)

There were no significant changes in the nature of the Group's principal activities during the financial year.

2. Operating results and review of operations for the year

Operating results

The consolidated loss of the Group was down 4.3% to \$1,473,815, after providing for income tax (\$1,541,307 in 2013). Revenue from product sales was up by more than 112% to \$1,150,931 (\$541,649 in 2013), while total revenue and other income was up by more than 267% to \$2,795,948 for the year (\$761,288 in 2013).

Review of operations

The Group closed its first full year of operations for the Consumer Health Business following the acquisition of Advangen Inc. The Japanese distribution was expanded and new contracts have been signed with existing partners. In Australia, sales to hair salons commenced during the reporting period.

Further development milestones have been achieved in the Group's Midkine Business with the completion of humanisation and lead antibody (CAB102) selection and the commencement manufacturing for clinical trials. The Group has commenced preparations for its 'first in men' clinical studies with reviewing clinical sites and negotiating with principal investigators. The Group's diagnostic business has delivered solid revenue during the reporting period from milestone and option to license fees.

i. Consumer Health Business – Distribution continues to grow for the Group's FGF5 inhibitor hair growth products

The Consumer Health Business was set up to commercialise over the counter hair growth products based on the FGF5 inhibition technology developed by Advangen Inc. (Japan). With the acquisition of Advangen Inc. (Japan) in May 2013 the Group has taken control of global rights for the technology and closed the first full year of operations for the joint business.

In Japan the Group signed a major distribution agreement with Natural Garden, a direct marketing company, for the supply of existing brands and newly developed products. The salon distribution has also been expanded for the male lotion and shampoo brands (Lexilis Black®). Test marketing of the Groups' new female brand of lotions and shampoos, Jo-Ju RED® commenced in Japan.

In Australia the roll-out of the products in hair salons commenced in New South Wales in March 2014 with strong results. Recruitment of sales people will continue in other states over the coming months. The Group has not invested in marketing into pharmacies during the period, which meant that new doors have been opened but sell through has slowed down.

**Directors' Report
For the Year Ended 30 June 2014**

2. Operating results and review of operations for the year (continued)

The Advangen Inc. acquisition delivered Chinese import permits for the Lexilis® and JoJu® brands, with the potential to accelerate geographical expansion of the distribution. The Group has been able to take advantage of these valuable assets and signed a distribution agreement with Beijing Huana Likang, a marketing company with primary channels in television shopping networks and online sales.

The Group has been successful in the fractionation and synthesis of novel FGF5 inhibitors and filed new composition of matter patent applications during the period. New formulations have been prepared using these discoveries and a safety study has been initiated in humans. The new formulations have also given impetus to a product strategy and technology review, which was commenced in June 2014.

ii. Midkine business

Advances in therapeutic product development – lead antibody in manufacturing for clinical studies

Under this program the Group has been developing its antimidkine antibody drugs in several indications and, on the basis of data generated from its pre-clinical efficacy studies, elected to proceed to 'first in men' clinical studies in oncology. During the reporting period the Group has achieved significant milestones on its path to the clinic. Proof of concept studies have shown that the Group's antibody drug is effective in cancer when assessed in a pre-clinical model of non-small cell lung carcinoma (NSCLC). The Group successfully humanised its antibodies and selected a lead drug candidate (CAB102) to progress to clinical studies. Importantly, manufacturability of CAB102 has been confirmed and the Group has appointed its manufacturing partner.

This program received significant boost during the reporting with the granting of major patents. The European Patent Office granted one of the Group's most important midkine antibody patent applications, "Antibody Recognising C-domain of midkine", which has oncology claims. Another antibody patent entitled "Method for the treatment or prevention of diseases associated with a functional disorder of T Cells" was granted by the Japanese Patent Office in October 2013.

iii. Midkine (MK) Diagnostic Program

The Group's licensees, Pacific Edge Limited and Celera Quest, continued to make significant progress towards commercialisation of their respective products during the reporting period. Fujikura Kasei has exercised its option to license the Group's antibodies for diagnostic purposes in Japan. A new diagnostic collaboration was signed with Abcodia Limited during the reporting period for the assessment of midkine in the diagnosis of colorectal cancer, and internal diagnostic programs have continued.

iv. Pacific Edge Limited - launched CxBladder® in the USA with midkine as one of the biomarkers

The Group signed a license agreement with Pacific Edge Limited in 2010 for the use of the Group's midkine protein as one of the biomarkers in CxBladder®, a bladder cancer diagnostic test. According to the terms of the license Pacific Edge paid an upfront fee and was to pay a milestone fee in shares on reaching first sale of the product outside of Australia and New Zealand. Pacific Edge launched its CxBladder® test in the USA in March 2013 and signed up a number of US health care providers, making their first commercial sale in July 2013. This event triggered the last milestone payment to the Group which was received on 1 August 2014.

v. Celera-Quest license update

The Group signed a license agreement with Celera Quest in October 2009 for the use of midkine in their lung cancer diagnostic test. The Group received an upfront payment at the time of signing, and a milestone payment will become payable by Celera Quest at the time of regulatory clearance and royalties on sales.

During the reporting period Celera Quest continued to work towards the launch of a lung cancer diagnostic test which includes MK and reported the achievement of major milestones. Celera Quest commenced testing of the samples obtained from the US National Cancer Institute (NCI) sponsored Prostate, Lung Colorectal and Ovarian (PLCO) trial on the Luminex platform. The Group has been advised that the PLCO study results are expected in late 2014.

**Directors' Report
For the Year Ended 30 June 2014**

2. Operating results and review of operations for the year (continued)

In addition, Celera Quest reported on the completion of four other clinical studies conducted as part of their clinical validation program for the lung cancer test. Celera Quest has until 31 October 2014 to commercialise their lung cancer blood test with MK included, after which they maintain their ability to use MK, but will lose exclusivity under the terms of the license agreement.

vi. Fujikura Kasei option to license

The Group signed an Option to License Agreement with Fujikura Kasei for the exclusive supply of the Group's proprietary antibodies for validation in Fujikura's latex diagnostic platform. The agreement provided that Fujikura will proceed to exercise its option to license subject to reaching the minimum 500 picogram/ml limit of detection. The validation program was completed successfully and Fujikura Kasei exercised its option to license in July 2013. A definitive license agreement is currently being negotiated between Fujikura Kasei and the Group.

vii. Intellectual Property update

The Group has a large and valuable patent portfolio which consists of 87 patents across 21 patent families. Of these 62 patents have been granted, 24 filed or under examination and one in PCT (Patent Cooperation Treaty) filing stage.

The European Patent Office granted the therapeutic patent "Antibody Recognising C-domain of midkine" with important claims around treatment of cancer in October 2013. Also in October 2013 the Japanese Patent office granted another midkine antibody patent entitled "Method for the treatment or prevention of diseases associated with a functional disorder of T Cells".

3. Financial review

Financial position

The net assets of the Group have increased by 7% to \$5,663,726 (\$5,305,157 at 30 June 2013). Importantly, current assets increased by 19% to \$4,499,891 (\$3,778,936 at 30 June 2013). The directors believe that the Group is in a stable financial position to carry out its current operations.

4. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Dividends paid or recommended

The Company has not paid or declared any dividends during the financial year (2013: nil).

Events since the end of the financial year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

Information on the Group's likely developments in the operation of the consolidated entity and the expected results of operations have not been included in this annual report.

**Directors' Report
For the Year Ended 30 June 2014**

Environmental regulations

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium to insure the directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that maybe brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities (other than legal costs) that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

During or since the end of the financial year, the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in favour of its directors as follows:

- a right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends
- subject to the Corporation Act 2001, an indemnity in respect of liability to persons other the Company and its related bodies corporate that they may incur while acting in their capacity as an officer of the Company or a related body corporate, except for specified liabilities where that liability involves a lack of good faith or is for legal costs for defending certain legal proceedings; and
- the requirement that the Group maintain appropriate directors' and officers' insurance for the officer.

No liability has arisen under these indemnities as at the date of the report.

There is no indemnity cover in favour of the auditor of the Group during the financial year.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the Group are important. Details of the amounts paid or payable to the auditor, BDO for audit and non-audit services provided during the year are set out below.

The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

<i>Auditing or reviewing the financial statements</i>	2014	2013
	\$	\$
BDO East Coast Partnership – Australia	52,500	54,900
BDO Toyo & Co - Japan	10,479	10,200
	<u>62,979</u>	<u>65,100</u>

**Directors' Report
For the Year Ended 30 June 2014**

ASIC class order 98/100 rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest dollar, unless otherwise indicated.

Meetings of directors

Six meetings of the directors were held during the financial year (including committees of directors). Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Nomination Committee		Remuneration Committee	
	Number eligible to attend	Number attended						
Dr David King	6	5	6	6	3	3	3	3
Ms Maria Halasz	6	6	-	6	-	-	-	-
Mr Martin Rogers	6	4	6	6	-	-	3	3
Mr Graeme Kaufman	6	4	6	6	3	3	3	3

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

	Expiry date	Exercise Price	Number under option
Unlisted options	1 July 2014	\$ 0.05	5,002,006
Unlisted options	20 November 2014	\$ 0.06	7,000,000
Unlisted options	20 November 2014	\$ 0.04	2,000,000
Unlisted options	19 February 2015	\$ 0.06	600,000
Unlisted options	15 November 2015	\$ 0.10	100,000
Unlisted options	15 November 2016	\$ 0.03	3,971,962
Listed options	23 October 2016	\$ 0.03	290,542,770
Unlisted options	15 June 2017	\$ 0.03	5,000,000
Unlisted options	14 August 2017	\$ 0.03	1,440,000
			315,656,738

No shares were issued on the exercise of options during the financial year ended 30 June 2014 (nil in 2013). No further shares have been issued on exercise of options since 30 June 2014.

12,000,000 shares were held in escrow and unpaid at 30 June 2014 (nil in 2013). Refer to note 18(a) for further details.

38,448,435 options were lapsed during the financial year ended 30 June 2014 (2,000,000 in 2013).

**Directors' Report
For the Year Ended 30 June 2014**

5. Remuneration report (audited)

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its directors and executives.

To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives; and
- establish appropriate performance hurdles in relation to variable executive remuneration.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers of the Group on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to performance of the consolidated entity. No performance based bonus or incentive payments are in place, however Maria Halasz has employee share options that will vest upon achieving key milestones being achieved. These Milestones are detailed in the Equity- based compensation section of this remuneration report.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

The table below details the last five years earnings and total shareholders return.

	\$ 2014	\$ 2013	\$ 2012	\$ 2011	\$ 2010
Sales	1,150,931	541,649	132,826	149,735	325,999
EBITDA	(2,165,345)	(2,341,372)	(2,702,954)	(2,776,753)	(1,580,973)
EBIT	(2,277,485)	(2,358,006)	(2,714,373)	(2,777,009)	(1,594,694)
Loss after income tax	(1,480,836)	(1,541,307)	(1,972,483)	(2,269,637)	(1,339,948)

The factors that are considered to affect total shareholders return ('TSR) are summarised below:

	\$ 2014	\$ 2013	\$ 2012	\$ 2011	\$ 2010
Share price at financial year end	0.03	0.02	0.02	0.02	0.02
Total dividends declared	-	-	-	-	-
Basic earnings per share	(0.21)	(0.27)	(0.46)	(0.65)	(0.48)

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

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**Directors' Report
For the Year Ended 30 June 2014**

5. Remuneration report (audited) (continued)

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, while incurring costs that are acceptable to shareholders.

Structure

Each non-executive director receives a fixed fee for being a director of the Group.

The constitution and the ASX listing Rules specify that the maximum aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. At the general meeting of shareholders in 2005, the maximum amount was set at \$300,000 per annum. In 2014, the Group paid non-executive directors a total of \$157,780 (\$145,802 in 2013).

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to directors are reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

A policy of the Board is the establishment of employment or consulting contracts with the CEO and other senior executives.

Remuneration consists of fixed remuneration under an employment or consultancy agreement and may include long term equity-based incentives that are subject to satisfaction of performance conditions. Details of these performance conditions are outlined in the equity based payments section of this remuneration report. The equity-based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of Group-wide and individual performance, relevant comparative remuneration in the market, and internal and (where appropriate) external advice on policies and practices.

**Directors' Report
For the Year Ended 30 June 2014**

5. Remuneration report (audited) (continued)

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and expense payment plans, such that the manner of payment chosen is optimal for the recipient without creating additional cost for the Group.

Remuneration policy and performance

Other than the CEO, Ms Halasz, none of the director's remuneration is at risk' remuneration. Refer below for further information on Ms Halasz's remuneration.

Remuneration details for the year ended 30 June 2014

Details of the remuneration of the directors and key management personnel of the group (as defined in AASB 124 Related Party Disclosures) and the highest paid executives of Cellmid are set out in the following tables.

2014	Short-term benefits		Post employment benefits	Share based payments	Total
	Cash salary fees \$	Cash bonus \$	Superannuation \$	Options \$	
Directors					
Non-executive directors					
David King	65,000	-	5,999	-	70,999
Graeme Kaufman	37,500	-	3,448	-	40,948
Martin Rogers	45,833	-	-	-	45,833
Total non-executive directors	148,333	-	-	-	157,780
Executive directors and key management					
Maria Halasz	434,471	-	27,750	52,047	514,268
Nicholas Falzon ¹	-	-	-	-	-
	582,804	-	37,197	52,047	672,048

2013	Short-term benefits		Post employment	Share based payments	Total
	Cash salary fees \$	Cash bonus \$	Superannuation \$	Options \$	
Directors					
Non-executive directors					
David King	65,000	-	5,850	-	70,850
Graeme Kaufman	34,058	-	3,065	-	37,123
Martin Rogers	33,062	-	-	-	33,062
Robin Beaumont ²	4,767	-	-	-	4,767
Total non-executive directors	136,887	-	8,915	-	145,802
Executive directors and key management					
Maria Halasz	400,000	-	36,000	-	436,000
Nicholas Falzon ¹	-	-	-	-	-
	536,887	-	44,915	-	581,802

- Nicholas Falzon, company secretary, was appointed on 6 October 2010, is a director of PKF Lawler Partners Pty Ltd who provides accounting and company secretarial services to Cellmid Limited. The contract is based on normal commercial terms. A total of \$105,600 (\$92,125 in 2013) was received by PKF Lawler Partners Pty Limited in relation to this contract for the year.
- Robin Beaumont resigned as director on 27th August 2012.

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**Directors' Report
For the Year Ended 30 June 2014**

5. Remuneration report (audited) (continued)

KMP shareholdings

The number of shares held in the company during the financial year by each director and key management personnel of Cellmid Limited, including their personally related parties, are set out below.

	Balance at beginning of year	Received as part of remuneration	Other changes	Balance at end of year
2014				
David King	22,500,000	-	-	22,500,000
Maria Halasz	6,750,000	12,000,000	3,750,000	22,500,000
Graeme Kaufman	-	-	-	-
Martin Rogers	5,155,700	-	-	5,155,700
2013				
David King	22,500,000	-	-	22,500,000
Maria Halasz	2,725,250	-	4,024,750	6,750,000
Graeme Kaufman	-	-	-	-
Martin Rogers	-	-	5,155,700	5,155,700

KMP option holdings

The number of options held in the company during the financial year by each director and member of key management personnel of Cellmid Limited, including their personally related parties, are set out below.

	Balance at beginning of year	Acquired	Expired/ forfeited	Other changes	Balance at end of year	Vested and exercisable at end of year
2014						
David King	11,250,000	-	-	-	11,250,000	11,250,000
Maria Halasz	16,362,625	137,375	(3,000,000)	-	13,500,000	13,500,000
Graeme Kaufman	1,000,000	-	(1,000,000)	-	-	-
Martin Rogers	44,000,000	-	(3,000,000)	-	41,000,000	41,000,000
2013						
David King	-	-	-	11,250,000	11,250,000	11,250,000
Maria Halasz	17,000,000	-	-	(637,375)	16,362,625	16,362,625
Graeme Kaufman	-	-	-	1,000,000	1,000,000	1,000,000
Martin Rogers	-	-	-	44,000,000	44,000,000	44,000,000

**Directors' Report
For the Year Ended 30 June 2014**

5. Remuneration report (audited) (continued)

Relationship between remuneration policy and company performance

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk STI		At risk LTI	
	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%
Directors						
David King	100	100	-	-	-	-
Maria Halasz	89.9	100	-	-	10.1	-
Graeme Kaufman	100	100	-	-	-	-
Martin Rogers	100	100	-	-	-	-
Other key management personnel						
Nicholas Falzon	100	100	-	-	-	-

Service agreements

The CEO, Maria Halasz, is an employee of the group under an agreement signed on 21 September 2007. Under the terms of the present contract:

- Ms Halasz may resign from her position and thus terminate this contract by giving six months' written notice. On resignation any unvested options will be forfeited.
- The group may terminate the employment agreement by providing six months' written notice or providing payment in lieu of the notice period (based on the fixed component of Ms Halasz's remuneration).
- The group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause, any unvested options will immediately be forfeited.
- Ms Halasz's employment agreement provides for issuing performance incentives subject to the discretion of the board. During the 2014 financial year there has been no performance incentive issued to Ms Halasz.

Equity-based compensation

Details of the options granted as remuneration to those key management personnel and executives during the year:

Share-based payments	Options Granted in 2014	Value of options at grant date	Options vested in 2014	Value of options expensed in 2014	Proportion of remuneration
	No	\$	No	\$	
Directors					
David King	-	-	-	-	-
Maria Halasz ¹	12,000,000	219,600	-	52,047	10.1%
Graeme Kaufman	-	-	-	-	-
Martin Rogers	-	-	-	-	-
Other key management personnel					
Nick Falzon	-	-	-	-	-

1) On 25 November 2013, 12,000,000 loan shares were granted to Maria Halasz in three equal tranches under the Cellmid Limited and Controlled Entities Employee Incentive Plan and as approved by shareholders at the annual general meeting on 22 November 2013. Ordinary shares were issued under the arrangement funded by a limited recourse loan with the following vesting conditions attached:

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Directors' Report
For the Year Ended 30 June 2014

5. Remuneration report (audited) (continued)

Table with 4 columns: Tranche, Vesting date, Shares, Vesting condition. Contains 3 rows of share vesting details.

The effect of the arrangement is akin to an option.

Loans to directors and other members of key management personnel

There were no loans to directors or other members of key management personnel during or since the end of the financial year.

Other

On the 25th of November 2013, the Company acquired the remaining 5% interest in its subsidiary, Advangen International Pty Ltd from Direct Capital Group Pty Limited.

This concludes the remuneration report which has been audited.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 30 June 2014 has been received and can be found on page 56 of the financial report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: [Signature]
Dr David King

Dated this 29th day of August 2014

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Corporate Governance Statement For the Year Ended 30 June 2014

Unless disclosed below, all the recommendations of the ASX Corporate Governance Council (including 2010 amendments) have been applied for the entire financial year ended 30 June 2014 (ASX Principles).

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The names of independent directors that have served on the board of directors of the company (Board) during the period are:

- David King
- Graeme Kaufman
- Martin Rogers

Independent directors are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinions free of concern about their position or the position of any third party. The Board does not believe it is possible to draft a list of criteria which is appropriate to characterise, in all circumstances, whether a non-executive director is independent. However, in determining the independent status of a director the Board will consider whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is employed, or has previously been employed in an executive capacity by the company or another group member;
- has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the company or another group member other than as a director.

In some cases the Board needs to make an assessment of the materiality of a relationship in order to determine if a director is independent. A "material relationship" includes a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the director's decisions in relation to the company. When considering whether a relationship is "material", the Board will consider the materiality to each of the company, the director and the person or organisation with which the director is related (as customer, supplier, or adviser). The Board has not set materiality thresholds, considering it more effective to assess relationships on the individual circumstances applicable on a case-by-case basis and where appropriate, with the assistance of external advice.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the company.

David King, Graeme Kaufman and Martin Rogers are members of the nomination committee. These members have attended meetings of the nomination committee on an ad hoc basis as needed during the year. When appointing new directors, the Board and the nomination committee look to ensure that an appropriate balance of skills, experience,

**Corporate Governance Statement
For the Year Ended 30 June 2014**

expertise and diversity is maintained. The Board has not approved a formal nomination committee charter and as such, no such charter or summary of such charter is disclosed on the company's website.

Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the code of conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent.

Induction

All new Directors participate in a formal induction process co-ordinated by the Company Secretary. This induction process includes briefings on the Company's financial, strategic, operational and risk management position, the Company's governance framework and key developments in the Company and the industry and environment in which it operates.

The Board believes that the company benefits from this diversity.

However, due to the size of the company and small number of persons employed by the company and its controlled entities, the Board has not established a formal diversity policy in accordance with Recommendation 3.2 of the ASX Principles. As such and for the same reasons, the company is not able to disclose in this annual report the measurable objectives for achieving gender diversity in accordance with the diversity policy and progress towards achieving those objectives.

The company is able to disclose the following gender diversity statistics for the company and its controlled entities as at the date of this annual report:

- women employees (67%);
- women in senior executive positions (57%); and
- women on the Board (25%).

**Corporate Governance Statement
For the Year Ended 30 June 2014**

Trading policy

The company has a policy on the sale and purchase of its securities by its directors and employees. In addition, this policy applies to advisers, contractors and consultants who may obtain confidential or price sensitive information in relation to the company.

The purpose of the policy is to avoid conduct known as 'insider trading'. In some respects, the Company's policy extends beyond the strict requirements of the Corporations Act 2001 (Cth) (Corporations Act).

Audit Committee

The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee are included in the directors' report.

CEO/CFO Declaration

As required by section 295A of the Corporations Act, the CEO and CFO have declared that in their opinion:

- the financial records of the company and controlled entities for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;
- the financial statements and notes for the financial year comply with accounting standards;
- the financial statements and notes for the financial year give a true and fair view of the financial position and performance of the company and its controlled entities in accordance with section 297 of the Corporations Act;
- any other matters prescribed by the Corporations Regulations in relation to the financial statements and notes for the financial year have been satisfied.

In addition, in accordance with Recommendation 7.3 of the ASX Principles, the CEO and CFO stated to the Board that, the declaration provided under section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Performance Evaluation

An annual performance evaluation of the Board has not been made during the year.

A performance evaluation for the CEO has taken place during the financial year in accordance with the evaluation process disclosed by the Company. This evaluation has been conducted by the Chairman on a quarterly basis during the year with regard to performance measures set at the commencement of the year.

A performance evaluation for other senior management has been conducted by the CEO during the financial year in accordance with the evaluation process disclosed by the Company.

Board Roles and Responsibilities

The Board is first and foremost accountable to its shareholders through delivery of timely and balanced disclosures.

The Board sought external guidance to assist the drafting of its "Board Charter" which has been made publicly available on the company's website. This document details the adopted practices and processes in relation to matters reserved for the Board's consideration and decision-making. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

**Corporate Governance Statement
For the Year Ended 30 June 2014**

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors and changes to the constitution. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of the company, to lodge questions to be answered by the Board and/or the CEO, and are able to appoint proxies.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight and is required to report to the Board on whether such risks are being managed effectively. The effectiveness of the implemented internal controls is monitored and reviewed regularly. During the year, the CEO has reported to the Board as to the effectiveness of the company's management of its material business risks.

Remuneration Policies

The company's remuneration committee comprises of the following non-executive directors:

- David King (Chair, independent)
- Graeme Kaufman (independent)
- Martin Rogers (independent)

The remuneration committee reviews the senior executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. Executives may also be entitled to participate in the company's employee incentive plan.

The amounts of remuneration for all key management personnel for the company, including all monetary and non-monetary components, are detailed in the directors' report under the heading key management personnel compensation. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the consolidated group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Remuneration Committee

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

The Board has not approved a formal remuneration committee charter and as such, no such charter or summary of such charter is disclosed on the company's website.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2014

		Consolidated	
		2014	2013
	Note	\$	\$
Revenue	3	1,150,931	541,649
Other revenue	3	1,123,956	55,597
Other income	3	521,061	164,042
		<u>2,795,948</u>	<u>761,288</u>
Less Expenditure			
Cost of sales		(333,085)	(84,606)
Advertisement and marketing expense		(257,763)	(214,411)
Bad debts expense		(978)	(1,227)
Consultancy expenses		(452,376)	(422,171)
Conferences and meetings		(150,653)	(47,314)
Communication expenses		(88,982)	(37,122)
Depreciation and amortisation expense		(112,140)	(16,634)
Employee benefits expense		(1,702,980)	(1,036,123)
Finance costs		(2,511)	(1,124)
Gain/(Loss) on foreign exchange		(28,926)	13,338
Occupancy expenses		(195,236)	(102,058)
Professional fees		(84,214)	(108,434)
Research and development expenses		(722,882)	(475,361)
Share-based compensation		(133,523)	(4,032)
Subscription expenses		(95,091)	(71,035)
Travel expenses		(253,302)	(201,255)
Other expenses		(409,248)	(278,892)
		<u>(2,227,942)</u>	<u>(2,327,173)</u>
Loss before income tax		(2,227,942)	(2,327,173)
Income tax benefit	5	747,106	785,866
		<u>(1,480,836)</u>	<u>(1,541,307)</u>
Loss for the year after income tax		(1,480,836)	(1,541,307)
Other comprehensive income, net of income tax			
<i>Items that will be reclassified to profit or loss when specific conditions are met</i>			
Exchange differences on translating foreign controlled entities		(180,898)	216,257
		<u>(180,898)</u>	<u>216,257</u>
Total comprehensive income for the year		<u>(1,661,734)</u>	<u>(1,325,050)</u>
Loss for the year attributable to:			
Owners of Cellmid Limited		(1,473,815)	(1,528,041)
Non-controlling interest		(7,021)	(13,266)
		<u>(1,480,836)</u>	<u>(1,541,307)</u>
Total comprehensive income attributable to:			
Owners of Cellmid Limited		(1,654,713)	(1,311,784)
Non-controlling interest		(7,021)	(13,266)
		<u>(1,661,734)</u>	<u>(1,325,050)</u>
Loss per share for loss attributable to the ordinary equity holders of the company			
Basic loss per share (cents)	9	(0.21)	(0.27)
Diluted loss per share (cents)	9	(0.21)	(0.27)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2014

		Consolidated	
	Note	2014	2013
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	2,501,753	1,754,994
Trade and other receivables	11	220,471	255,695
Inventories	12	1,709,365	1,694,926
Other assets	15	68,302	73,321
TOTAL CURRENT ASSETS		4,499,891	3,778,936
NON-CURRENT ASSETS			
Plant and equipment	13	43,269	51,633
Intangible assets	14	1,911,265	2,163,150
TOTAL NON-CURRENT ASSETS		1,954,534	2,214,783
TOTAL ASSETS		6,454,425	5,993,719
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	563,183	501,299
Employee benefits	17	166,254	134,755
TOTAL CURRENT LIABILITIES		729,437	636,054
NON-CURRENT LIABILITIES			
Employee benefits	17	61,262	52,508
TOTAL NON-CURRENT LIABILITIES		61,262	52,508
TOTAL LIABILITIES		790,699	688,562
NET ASSETS		5,663,726	5,305,157
EQUITY			
Issued capital	18	27,401,832	25,336,522
Reserves	19	1,705,205	1,966,375
Accumulated losses		(23,443,311)	(21,969,496)
Capital and reserves attributable to owners of Cellmid Limited		5,663,726	5,333,401
Non-controlling interest		-	(28,244)
TOTAL EQUITY		5,663,726	5,305,157

The accompanying notes form part of these financial statements..

**Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2014**

Note	Issued Capital \$	Acquisition Reserve \$	Share Based Payments Reserve \$	General Reserve \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$	Non - controlling Interests \$	Total Equity \$
Balance at 1 July 2013	25,336,522	-	1,727,263	22,855	216,257	(21,969,496)	5,333,401	(28,244)	5,305,157
Loss for the year after income tax	-	-	-	-	-	(1,473,815)	(1,473,815)	(7,021)	(1,480,836)
Other comprehensive income	-	-	-	-	(180,898)	-	(180,898)	-	(180,898)
Total comprehensive income for the year	-	-	-	-	(180,898)	(1,473,815)	(1,654,713)	(7,021)	(1,661,734)
Transactions with equity holders									
Share based compensation	-	-	74,524	-	-	-	74,524	-	74,524
Shares issued during the year	2,178,530	-	-	-	-	-	2,178,530	-	2,178,530
Transaction costs	(113,220)	-	-	-	-	-	(113,220)	-	(113,220)
Derecognise non-controlling interest	-	(154,796)	-	-	-	-	(154,796)	35,265	(119,531)
Balance at 30 June 2014	27,401,832	(154,796)	1,801,787	22,855	35,359	(23,443,311)	5,663,726	-	5,663,726
Balance at 1 July 2012	20,799,832	-	1,723,230	22,855	-	(20,441,455)	2,104,462	(14,978)	2,089,484
Loss for the year after income tax	-	-	-	-	-	(1,528,041)	(1,528,041)	(13,266)	(1,541,307)
Other comprehensive income	-	-	-	-	216,257	-	216,257	-	216,257
Total comprehensive income	-	-	-	-	216,257	(1,528,041)	(1,311,784)	(13,266)	(1,325,050)
Transactions with equity holders									
Contribution of equity	4,536,690	-	-	-	-	-	4,536,690	-	4,536,690
Share based compensation	-	-	4,033	-	-	-	4,033	-	4,033
Balance at 30 June 2013	25,336,522	-	1,727,263	22,855	216,257	(21,969,496)	5,333,401	(28,244)	5,305,157

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of GST)		1,856,193	644,080
Payments to suppliers and employees (inclusive of GST)		(4,268,421)	(2,552,229)
Research and development expenses		(722,882)	(475,361)
Interest received		52,026	30,833
Income tax benefit		754,233	785,866
Other grant income		91,542	115,167
Finance costs		(2,496)	(1,124)
Net cash used in operating activities	20	<u>(2,239,805)</u>	<u>(1,452,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for acquisition of subsidiary, net of cash acquired		-	(803,911)
Proceeds on sale of financial asset		1,000,260	91,785
Purchase of non-current assets		(3,259)	(26,734)
Net cash provided by (used in) investing activities		<u>997,001</u>	<u>(738,860)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares (net of share issue costs)		<u>2,006,313</u>	<u>2,864,561</u>
Net cash provided by financing activities		<u>2,006,313</u>	<u>2,864,561</u>
Net increase in cash and cash equivalents held		763,509	672,933
Cash and cash equivalents at beginning of financial year		1,754,994	1,050,593
Effect of exchange rate changes		(16,750)	31,468
Cash and cash equivalents at end of financial year	10	<u><u>2,501,753</u></u>	<u><u>1,754,994</u></u>

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies

Statement of compliance

The company is a public company, listed on the Australian Stock Exchange. It is incorporated in Australia and is domiciled in Australia.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB)

The financial statements comprise the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 29 August 2014.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, except for certain non-current assets and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The preparation of financial statements in conformity with AIFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1(w).

New, revised or amending Accounting Standards and Interpretations adopted

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits
- AASB 127 Separate Financial Statements
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

New, revised or amending Accounting Standards and Interpretations adopted (continued)

- AASB 2012-9 Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
- AASB 2012-2 Amendments to Australian Accounting Standards Disclosures Offsetting Financial Assets and Financial Liabilities

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 10 Consolidated Financial Statements is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation Special Purpose Entities and resulted in consequential amendments to a number of other standards.

The Group has reviewed its investment in other entities to determine whether any changes were required to the Group under AASB 10. The composition of the Group is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 Joint Arrangements replaces AASB 131 Interests in Joint Ventures and Interpretation 112 Jointly Controlled Entities Nonmonetary Contributions by Venturers as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 Disclosure of Interests in Other Entities includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 Fair Value Measurement does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for nonfinancial assets. AASB 13 has not has an impact on the Group as no assets or liabilities are held at fair value.

AASB 119 Employee benefits changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for shortterm employee benefits and termination benefits.

The Group reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a longterm employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material and therefore has not been performed.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] to Remove Individual Key Management Personnel Disclosure Requirements removes the individual key management personnel (KMP) disclosures contained in Aus paragraphs 29.1 to 29.9.3.

The individual disclosures are not required by either AASB 124's international equivalent IAS 24 Related Parties (which requires only aggregate, rather than individual, amounts of KMP compensation) or its New Zealand equivalent. In addition, the AASB believes that these disclosures are more in the nature of governance and so are better dealt with as part of the Corporations Act 2001.

As a result, the detailed individual KMP remuneration has been removed from Note 6. In accordance with the transition provisions in the standard, the comparative figures have been restated.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(a) Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Based on anticipated levels of operational cash flow, the Group has sufficient cash to fund current operations for more than one year.

(b) Principles of Consolidation

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, is the Board of Directors.

(d) Revenue and Other Income Recognition

Revenue is measured at the fair value of the consideration received or receivable and after taking into account any trade discounts and volume rebates allowed. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate, but not before the receipt of the grant is relatively certain.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(e) Income Tax

The income tax expense (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the consolidated statement of financial position.

(g) Trade and Other Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

(i) Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(i) Plant and Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Furniture and fittings	20%
Office equipment	6.7 - 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(j) Investments and Other Financial Assets

The Group classified its investments in the following categories: loans and receivables and available for sale financial assets.

The classification depends on the nature and purpose of the investment and is determined at the time of initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(k) Intangibles other than Goodwill

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. The Group has determined the useful life of the intangible assets at 20 years. There is no amortisation charge to the intangible assets in the 2013 financial year.

Research and development

Expenditure on research activities is recognised as an expense in the period in which is incurred.

Expenditure on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(l) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives

(m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Provisions

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(o) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

Short term employee benefits

Liability for wages and salaries, including non monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long term employee benefits

Liability for annual leave and long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service.

Retirement benefit obligations

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. Contributions are paid into the fund nominated by the employee.

Share-based payments

The fair value of options granted is recognised as a benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors and executives become unconditionally entitled to the options.

The fair value at grant date is determined using binomial option pricing model that takes into account the exercise price, the term of option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(p) Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the binomial pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(q) Functional and Presentation Currency

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

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

(r) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(s) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(t) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of Cellmid Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(u) Comparative Figures

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

Where the group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(v) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 2 Share-Based Payment

This standard and its consequential amendments are applicable to annual reporting periods for which Share-based payment transactions for grant dates on or after 1 July 2014. There will be no impact on these financial statements when these amendments are first adopted as they apply prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.

AASB 8 Operating Segments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 July 2014. There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only. Further, because the Group does not currently aggregate operating segments in determining reportable segments, it is unlikely that any additional disclosures will be required when this amendment is adopted for the first time for the year ended 30 June 2015.

AASB 124 Related Party Disclosures

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 July 2014. The amendment clarifies that an entity that provides key management personnel services ('management entity') to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity. The amendment also requires separate disclosure of amounts recognised as an expense for key management personnel services provided by a separate management entity (but not in the categories set out in AASB 124.17) There will be no impact on these financial statements when these amendments are first adopted because this is a disclosure standard only. As the group does not currently engage the services of a management entity, it is also unlikely that any additional disclosures will be required when this amendment is adopted for the first time for the year ended 30 June 2015.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

(w) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(w) Critical accounting estimates and judgements (continued)

Estimated impairment of intellectual property

The group tests annually whether intellectual property has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of the intellectual property have been determined based on reviewing the status of the research and development program, progress on its patent applications and projected cash flow calculations. These calculations require the use of assumptions, including estimating timing of cash flows, product development and availability of resources to exploit the assets.

(x) Correction of prior period error

The acquisition of the remaining non-controlling interest in Advangen International Pty Limited as discussed in note 19 occurred on 25th November 2013. This transaction was incorrectly recorded and disclosed in the Interim Financial Report for the period ended 31 December 2013. The transaction has been retrospectively adjusted in the financial records of the Group.

The impact of the adjustment to correct the error is noted in the below table:

	As stated in 31 December 2013 interim report \$	Adjustment \$	Restated per 30 June 2014 report \$
NON-CURRENT ASSETS			
Goodwill	154,796	(154,796)	-
EQUITY			
Acquisition reserve	-	(154,796)	(154,796)

As the transaction occurred during the period 31 December 2013, no adjustment is necessary to the comparative balances stated in the 30 June 2014 financial report.

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CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

2 Parent Information

The following information has been extracted from the books and records of the parent, Cellmid Limited and Controlled Entities and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Cellmid Limited and Controlled Entities has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

	2014	2013
	\$	\$
Consolidated Statement of Financial Position		
Assets		
Current assets	4,813,472	2,500,986
Non-current assets	3,047,883	3,777,714
Total Assets	<u>7,861,355</u>	<u>6,278,700</u>
Liabilities		
Current liabilities	(579,055)	480,084
Non-current liabilities	(61,262)	52,508
Total Liabilities	<u>(640,317)</u>	<u>532,592</u>
Equity		
Contributed equity	27,401,832	25,336,522
Accumulated losses	(21,982,582)	(21,317,677)
Share based payment reserve	1,801,788	1,727,263
Total Equity	<u>7,221,038</u>	<u>5,746,108</u>
Statement of Profit or Loss and Other Comprehensive Income		
Loss of the parent entity	664,905	1,173,677
Total comprehensive income	<u>664,905</u>	<u>1,173,677</u>

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

3 Revenue and Other Income

Revenue from continuing operations

	2014	2013
	\$	\$
Sales revenue:		
- sale of goods	1,150,931	541,649
Other revenue:		
- interest received	52,054	30,833
- licence fees and royalties	1,009,188	358
- rental revenue	26,220	24,000
- other revenue	36,494	406
	<u>1,123,956</u>	<u>55,597</u>
Total Revenue	<u>2,274,887</u>	<u>597,246</u>

Other income:

- Government grants	91,542	115,167
- Gain on disposal of financial asset	429,519	48,875
Total other income	<u>521,061</u>	<u>164,042</u>

4 Loss for the Year

Loss before income tax from continuing operations includes the following specific expenses:

Cost of sales	(333,085)	(84,606)
Finance costs	(2,511)	(1,124)
Defined contribution superannuation expenses	(82,138)	(71,879)
(Loss)/Gain on foreign exchange	(28,926)	13,338
Minimum lease payments	(179,986)	(95,842)
Depreciation and amortisation expense	(112,140)	(16,634)
Research and development expenses	(722,882)	(475,361)

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CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

5 Income Tax

(a) The major components of income tax benefit comprise:

	2014	2013
	\$	\$
Income tax benefit	747,106	785,866
	<u>747,106</u>	<u>785,866</u>

(b) Numerical reconciliation of income tax benefit to accounting loss:

Loss for year before income tax benefit	(2,227,942)	(2,327,173)
Prima facie tax benefit on loss from ordinary activities before income tax at 31.11% (30.0% in 2013) ¹	(692,936)	(698,152)
Add / (less) tax effect of:		
- Share based payment	40,057	1,210
- Sundry items	32,445	6,406
- Research and development expenditure	669,972	396,695
- Research and development core technology expenditure	(190,438)	(190,438)
- Tax losses not brought to account	147,826	484,279
Adjusted income tax expense	(6,926)	-
Less: research and development tax benefit for the financial year ²	754,032	785,866
Income tax benefit	<u>747,106</u>	<u>785,866</u>

- The Group operates across two tax jurisdictions being Australia and Japan each with difference corporate tax rates. The applied tax rate of 31.11% represents the average tax rate applicable to the Group for the financial year ended 30 June 2014.
- A \$754,032 (\$785,866 in 2013) research and development tax offset was received for a claim in accordance with the Commonwealth Government's Research and Development Tax Incentive.

(c) Unused tax losses

	Australia	Japan	Total
	\$	\$	\$
<i>Movements in unused tax losses</i>			
Carried forward unused tax losses at the beginning of the financial year	13,467,581	1,566,188	15,033,769
Current unused tax losses for which no deferred tax asset has been recognised	-	435,350	435,350
Tax losses applied to net taxable income for the period	(47,754)	-	(47,754)
Prior period differences between tax calculation and income tax return	(416,139)	-	(416,139)
Carried forward unused tax losses at the end of the financial year	<u>13,003,688</u>	<u>2,001,538</u>	<u>15,005,226</u>
Notional tax rate	30.00%	35.64%	
Potential future tax benefit	<u>3,901,106</u>	<u>713,348</u>	<u>4,614,454</u>

This income tax benefit arising from tax losses will only be realised if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the Group to benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

6 Business Combinations

On 24 May 2013 Cellmid Limited acquired 100% of the ordinary share shares of Advangen Incorporated (Japanese entity) for the total consideration transferred of JPY ¥285,171,564. This has been translated to AUD \$2,893,968 using the exchange rate per the Reserve Bank of Australia (RBA) on 24 May 2013.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Book value ¥JPY	Fair value ¥JPY	Exchange rate	Fair value \$AU
Assets or liabilities acquired:				
Cash	41,182,636	41,182,636	98.54	417,928
Trade receivables	19,594,272	19,594,272	98.54	198,846
Inventories	31,742,886	31,742,886	98.54	322,132
Other assets	2,850,035	2,850,035	98.54	28,923
Plant and equipment	848,292	848,292	98.54	8,609
Intangible assets	-	198,099,144	98.54	2,010,342
Trade payables	(9,145,701)	(9,145,701)	98.54	(92,812)
Net identifiable assets acquired	87,072,420	285,171,564		2,893,968
Goodwill	-	-	-	-
Acquisition date fair value of the total consideration transferred		285,171,564		2,893,968
Representing:				
- Cash				1,221,839
- Fair value of issued shares				1,672,129
				2,893,968
Cash used to acquire business, net of cash acquired:				
Cash to acquire subsidiary				1,221,839
Less: cash and cash equivalents on acquisition				417,928
Net cash used				803,911

The contribution to profit or loss and other income of Advangen Incorporated for the year can be found in Note 25.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

7 Interests of Key Management Personnel (KMP)

(a) *Directors and key management personnel*

The following persons were directors or key management personnel of Cellmid Limited during the financial year:

David King (Chairman)

- appointed from 18 January 2008 to current

Ms Maria Halasz (Chief Executive Officer)

- appointed from 19 November 2007 to current

Mr Graeme Kaufman (Non executive)

- appointed from 27 August 2012 to current

Mr Martin Rogers (Non executive)

- appointed from 19 September 2012 to current

Mr Nicholas Falzon (Secretary and Financial Controller)

- appointed from 6 October 2010 to current

(b) *Directors and key management personnel compensation*

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2014	2013
	\$	\$
Short-term employment benefits	582,804	536,887
Post-employment benefits	37,197	44,915
Share-based payments	52,047	-
	<u>672,048</u>	<u>581,802</u>

8 Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and a non - related audit firm:

Auditing or review of the financial statements

- BDO East Coast Partnership -Australia
- BDO Toyo & Co - Japan

	52,500	54,900
	10,479	10,200
	<u>62,979</u>	<u>65,100</u>

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

9 Earnings per Share

	2014	2013
	\$	\$
Basic and diluted earnings per share (in cents)	(0.21)	(0.27)
(a) Reconciliation of earnings to profit or loss from continuing operations		
Loss for the year	(1,473,815)	(1,541,307)
(b) Weighted average number of shares used as the denominator		
	No.	No.
Weighted average number of ordinary shares used in calculating dilutive EPS	696,596,038	563,832,659

Options

315,656,738 options granted to executives and directors (2013: 354,105,173) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. In the year ended 30 June 2014, these options were in fact anti-dilutive, and consequently diluted earnings per share is the same as basic earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to options are set out in Note 18.

10 Cash and Cash Equivalents

Cash at bank and in hand	2,495,778	1,754,994
Short-term bank deposits	5,975	-
	<u>2,501,753</u>	<u>1,754,994</u>

The effective interest rate on short term bank deposits was 3.5 - 4.5% (2013: 3.5 - 4.5%); these deposits were all on call.

Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

Cash and cash equivalents	2,501,753	1,754,994
---------------------------	-----------	-----------

11 Trade and Other Receivables

CURRENT

Trade receivables	177,787	41,123
Other receivables	42,684	214,572
	<u>220,471</u>	<u>255,695</u>

Effective interest rates and credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 23(a). The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the group.

There is no interest rate risk for the balances of trade and other receivables. There is no material credit risk associated with other receivables. No receivables are past due or impaired.

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

12 Inventories

	2014	2013
	\$	\$
CURRENT		
Midkine	1,019,368	1,022,708
Finished goods	643,009	672,218
Raw materials	46,988	-
	<u>1,709,365</u>	<u>1,694,926</u>

13 Plant & Equipment

PLANT AND EQUIPMENT		
At cost	362,806	366,065
Accumulated depreciation	(319,537)	(314,432)
	<u>43,269</u>	<u>51,633</u>

(a) Movements in carrying amounts of plant and equipment

	Plant and Equipment	Total
	\$	\$
Balance at 1 July 2013	51,633	51,633
Additions	3,259	3,259
Depreciation	(11,623)	(11,623)
Balance at 30 June 2014	<u>43,269</u>	<u>43,269</u>
Balance at 1 July 2012	32,276	32,276
Additions through business combinations	8,609	8,609
Additions	27,382	27,382
Depreciation expense	(16,634)	(16,634)
Balance at 30 June 2013	<u>51,633</u>	<u>51,633</u>

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CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

14 Intangible Assets

	2014	2013
	\$	\$
PATENTS AND TRADEMARKS		
At cost	2,011,782	2,163,150
Accumulated amortisation	(100,517)	-
	<u>1,911,265</u>	<u>2,163,150</u>

(a) Movements in carrying amounts of intangible assets

	Patents & Trademarks	Total
	\$	\$
Balance at 1 July 2013	2,163,150	2,163,150
Additions	-	-
Amortisation	(100,517)	(100,517)
Foreign exchange movements	(151,368)	(152,808)
	<u>1,911,265</u>	<u>1,909,825</u>
Balance at 30 June 2014	1,440	1,440
Balance at 1 July 2012	2,010,342	2,010,342
Additions	151,368	151,368
Foreign exchange movements	-	-
	<u>2,163,150</u>	<u>2,163,150</u>

Intangible assets, other than goodwill, have finite useful lives. The Group has determined the useful life of the intangible asset at 20 years. There is no amortisation charge to the intangible assets in the 2013 financial year.

15 Other Assets

CURRENT
Prepayments

<u>68,302</u>	<u>73,321</u>
---------------	---------------

16 Trade and Other Payables

CURRENT
Trade payables
GST payable
Other payables

293,378	271,936
1,340	-
268,465	229,363
<u>563,183</u>	<u>501,299</u>

17 Provisions

Employee Benefits

Balance at 1 July 2013
Additional provisions
Provision for employee benefits

Annual Leave	Long Service Leave
\$	\$
134,755	52,508
31,449	8,754
<u>166,254</u>	<u>61,262</u>

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

17 Provisions (continued)

	2014	2013
	\$	\$
Analysis of total provisions		
Current	166,254	134,755
Non-current	61,262	52,508
Provision for employee benefits	<u>227,516</u>	<u>187,263</u>

18 Contributed Equity

	2014	2013
	\$	\$
735,585,702 (2013: 650,470,079) Ordinary shares	26,769,571	24,704,261
315,656,738 (2013: 354,105,173) Options	632,261	632,261
	<u>27,401,832</u>	<u>25,336,522</u>

(a) Ordinary shares

	Issue price	2014	2013	2014	2013
	\$	No.	No.	\$	\$
At the beginning of the year		650,470,079	520,843,117	24,704,261	20,741,843
Shares issued - July 2012	0.0165	-	24,242,424	-	400,000
Shares issued - March 2013	0.0400	-	49,646,914	-	1,985,877
Shares issued - May 2013	0.0400	-	55,737,624	-	1,672,129
Escrowed shares - November 2013 ¹	0.0300	12,000,000	-	-	-
Shares issued - November 2013 ²	0.0340	3,515,625	-	119,531	-
Shares issued - December 2013	0.0300	66,666,666	-	2,000,000	-
Shares issued - December 2013	0.0150	2,333,332	-	35,000	-
Shares issued - February 2014	0.0400	600,000	-	24,000	-
Shares issue costs, net of tax		-	-	(113,221)	(97,588)
At the end of the year		<u>735,585,702</u>	<u>650,470,079</u>	<u>26,769,571</u>	<u>24,704,261</u>

- 12,000,000 shares were issued to Maria Halasz on 25 November 2013 under a limited recourse loan arrangement. The shares were held in escrow and unpaid at 30 June 2014 (2013: nil). All other shares are fully paid.
- On 25 November 2013, Cellmid Limited acquired the remaining 5% interest in its subsidiary, Advangen International Pty Ltd, from Direct Capital Group Pty Limited (a controlled entity of Maria Halasz) and related party of Cellmid Limited. Consideration of 3,515,625 shares in Cellmid Limited, with a market value of \$119,531 was provided for the acquisition. The carrying value of the non-controlling interest as at the date of acquisition was a net liability position \$35,265. Therefore the transaction resulted in an adjustment to the acquisition reserve of \$154,796. Refer to Note 22: *Related Party Transactions*.

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

18 Contributed Equity (continued)

(b) Options

- (i) For information relating to the Cellmid Limited and controlled entities employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 28 Share-based payments.
- (ii) For information relating to share options issued to key management personnel during the financial year, refer to the remuneration report.

	2014 No.	2013 No.
At the beginning of the year	354,105,173	36,923,968
Options issued - August 2013	-	1,440,000
Options issued - October 2013	-	262,542,770
Options issued - November 2013	-	3,000,000
Options issued - December 2013	-	25,000,000
Options issued - March 2014	-	26,573,435
Options issued - April 2014	-	625,000
Options lapsed - April 2014	-	(2,000,000)
Options lapsed - July 2013	(3,000,000)	-
Options lapsed - March 2014	(27,198,435)	-
Options lapsed - April 2014	(8,250,000)	-
At the end of the year	<u>315,656,738</u>	<u>354,105,173</u>

(c) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group look to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current parent entity's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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Notes to the Financial Statements
For the Year Ended 30 June 2014

19 Reserves

	2014	2013
	\$	\$
Share based payment reserve		
Balance the beginning of the year	1,727,263	1,723,230
Share based payment expense	74,524	4,033
Balance at the end of the year	<u>1,801,787</u>	<u>1,727,263</u>
Acquisition reserve		
Balance the beginning of the year	-	-
Acquisition of non-controlling interests in Advangen International Pty Ltd	(154,796)	-
Balance at the end of the year	<u>(154,796)</u>	<u>-</u>
General reserve		
Balance the beginning of the year	22,855	22,855
Net movement as a result of shares issued to minority interest	-	-
Balance at the end of the year	<u>22,855</u>	<u>22,855</u>
Foreign exchange reserve		
Balance the beginning of the year	216,257	-
Foreign exchange movements	(180,898)	216,257
Balance at the end of the year	<u>35,359</u>	<u>216,257</u>
Total reserves	<u>1,705,205</u>	<u>1,966,375</u>

(a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

(b) General reserve

The general reserve records funds set aside for future expansion of the Group.

(c) Share based payments reserve

This reserve records the cumulative value of employee services received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

(d) Acquisition reserve

On 25 November 2013, Cellmid Limited acquired the remaining 5% interest in its subsidiary, Advangen International Pty Ltd, from Direct Capital Group Pty Limited (a controlled entity of Maria Halasz) and related party of Cellmid Limited. Consideration of 3,515,625 shares in Cellmid Limited, with a market value of \$119,531 was provided for the acquisition. The carrying value of the non-controlling interest as at the date of acquisition was a net liability position \$35,265. Therefore the transaction resulted in an adjustment to the acquisition reserve of \$154,796. Refer to Note 22: *Related Party Transactions*.

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

20 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax

	2014	2013
	\$	\$
Loss for the year	(1,480,836)	(1,541,307)
Non-cash flows in loss:		
- depreciation and amortisation	112,140	16,634
- licence revenue	(570,741)	-
- share base payment	133,523	4,033
- bad and doubtful debt	-	1,227
- gain on sale of financial asset	(429,519)	(48,875)
- foreign exchange loss	(132,313)	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:		
- (increase)/decrease in trade and other receivables	35,224	22,890
- (increase)/decrease in prepayments	5,019	(11,583)
- (increase)/decrease in inventories	(14,439)	(59,303)
- increase/(decrease) in trade and other payables	61,884	146,453
- increase/(decrease) in provisions	40,253	17,063
Cash flow from operations	<u>(2,239,805)</u>	<u>(1,452,768)</u>

21 Events After the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

22 Related Party Transactions

(a) The Group's main related parties are as follows:

Parent entities:

Cellmid Limited is the ultimate parent entity.

Subsidiaries:

For details of disclosures relating to subsidiaries, refer to Note 24: *Interests in Subsidiaries*. Transactions and balances between subsidiaries and the parent have been eliminated on consolidation of the group.

Key management Personnel:

For details of disclosures relating to key management personnel, refer to Note 7: *Interests of Key Management Personnel* (KMP) and the remuneration report within the Directors' report.

(b) Transactions with related parties

On the 25 November 2013, Cellmid Limited acquired the remaining 5% interest in its subsidiary, Advangen International Pty Ltd, from Direct Capital Group Pty Limited a controlled entity of Maria Halasz, a Director of the company. Consideration of 3,515,625 Cellmid Limited shares, with a market value of \$119,531 was provided for the acquisition.

There were no other related party transactions during the year ended 30 June 2014.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

23 Financial Risk Management

The Group's activities expose it to a number of financial risks as described below. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. To date, the group has not had the need to utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposures identified.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		2014	2013
		\$	\$
Financial Assets			
Cash and cash equivalents	10	2,501,753	1,754,994
Trade and other receivables	11	220,471	255,695
Total financial assets		<u>2,722,224</u>	<u>2,010,689</u>
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	16	563,183	501,299
Total financial liabilities		<u>563,183</u>	<u>501,299</u>

The fair value of financial assets and liabilities equate to the carrying value.

(a) Credit risk

Credit risk is managed on a Group basis. The group has no significant concentration of credit risk.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the table above.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

Credit risk related to balances with banks and other financial institutions is managed by management in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-.

(b) Liquidity risk

The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

The Group is not exposed to any material liquidity risk.

Financial liabilities consist only of trade and other payables for which the contractual maturity dates are within 6 months of the reporting date.

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

23 Financial Risk Management (continued)

(c) Market risk

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The maximum exposure to foreign exchange risk is the fluctuation in the US dollar on its USD and JPY denominated bank accounts and also the profit and net assets of the Japanese subsidiary, Advangen Incorporated.

The company has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of the financial year. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At the end of the financial year, the effect on profit and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	Profit	Equity
	\$	\$
Year ended 30 June 2014		
+/- 1% in foreign exchange rates	+/- 2,707	-/+ 938
Year ended 30 June 2013		
+/- 1% in foreign exchange rates	+/- 739	+/- 9,110

Interest rate risk

The Group's main interest rate risk arises from deposits with banks and other financial institutions. Deposits made at variable rates expose the Group to interest rate risk. Management maintains approximately 100% of deposits with banks at call on variable interest rates.

The company has performed a sensitivity analysis relating to its exposure to interest rate risk at the end of the financial year. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At the end of the financial year, the effect on profit and equity as a result of changes in the interest rate with all other variables remaining constant would be as follows:

	Profit	Equity
	\$	\$
Year ended 30 June 2014		
+/- 1% in interest rates	+/- 25,018	+/- 25,018
Year ended 30 June 2013		
+/- 1% in interest rates	+/- 17,550	+/- 17,550

Price risk

The Group is not exposed to any material price risk.

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

24 Interests in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Country of Incorporation	Percentage Owned (%)	Percentage Owned (%)
		2014	2013
Subsidiaries of Cellmid Limited:			
Advangen International Pty Limited ¹	Australia	100	95
Advangen Limited	Australia	100	100
Advangen Incorporated	Japan	100	100

1. On 25 November 2013, Cellmid Limited acquired the remaining 5% interest in its subsidiary, Advangen International Pty Ltd, from Direct Capital Group Pty Limited (a controlled entity of Maria Halasz) and related party of Cellmid Limited. Refer to Note 22: *Related Party Transactions*.

25 Segment Information

Identification of reporting segments

The Group is organised into two operating segments: (1) research and development of diagnostics and therapeutics and (2) research, development and marketing of hair growth products. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and profit before income tax.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Research of Diagnostic and Therapeutics (Biotechnology)

- research and development, marketing and promotional activities;
- diagnostics and therapeutics for cancer and inflammatory conditions; and

Research, development and marketing of hair growth products (Retailing)

- hair growth products.

Geographical segment information

The primary geographic segment within which the Group operates is Australia as at 30 June 2014. For primary reporting purposes, the Group operates in two geographic segment as described as at 30 June 2014.

Major customers

During the year ended 30 June 2014 approximately 49% of the Group's external revenue was derived from sales to Frostbland Pty Ltd (4%) through the retailing segment, and Pacific Edge Biotechnology Limited (25%) and Fujikura Kasei Co Limited (20%) through the biotechnology segments.

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

25 Segment Information (continued)

Operating segment information continued

	Biotechnology Australia		Retailing Australia		Retailing Japan		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Sales of products	64,300	215,279	271,257	311,098	815,374	15,272	1,150,931	541,649
Total sales revenue	64,300	215,279	271,257	311,098	815,374	15,272	1,150,931	541,649
Interest received	52,014	30,833	-	-	40	-	52,054	30,833
Royalties	1,009,188	358	-	-	-	-	1,009,188	358
Rental revenue	26,220	24,000	-	-	-	-	26,220	24,000
Other revenue	19,900	-	10,988	398	5,596	8	36,494	406
Total Revenue	1,171,622	270,470	282,255	311,496	821,010	15,280	2,274,887	712,413
Other income								
Government grant received	91,542	115,167	-	-	-	-	91,542	115,167
Gain on disposal of financial assets	429,519	48,875	-	-	-	-	429,519	48,875
Expenses	(2,917,117)	(2,374,994)	(606,005)	(576,661)	(1,252,594)	(115,015)	(4,775,716)	(3,066,670)
Share - based compensation	(133,523)	(4,032)	-	-	-	-	(133,523)	(4,032)
Depreciation and amortisation	(7,562)	(13,919)	(271)	(156)	(104,307)	(2,560)	(112,140)	(16,635)
Finance costs	(2,501)	(1,110)	(10)	(14)	-	-	(2,511)	(1,124)
Loss before income tax	(1,368,020)	(1,959,543)	(324,031)	(265,335)	(535,891)	(102,296)	(2,227,942)	(2,327,173)
Income tax benefit							747,106	785,866
Loss after income tax benefit							(1,480,836)	(1,541,307)
Assets								
Segment assets	3,621,544	2,545,805	368,379	369,363	2,464,502	3,078,551	6,454,425	5,993,719
Total assets							6,454,425	5,993,719
Liabilities								
Segment liabilities	(640,317)	(532,592)	(87,287)	(79,483)	(63,095)	(76,487)	(790,699)	(688,562)
Total liabilities							(790,699)	(688,562)

26 Commitments

Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

	2014 \$	2013 \$
Within one year	157,069	174,039
One to five years	490,655	554,061
Minimum lease payments	<u>647,724</u>	<u>728,100</u>

Operating lease commitments includes contracted amounts for office space under non-cancellable operating lease expiring within five years with no option to extend.

CELLMID LIMITED

Notes to the Financial Statements
For the Year Ended 30 June 2014

27 Contingent Liabilities and Contingent Assets

The Company and Group had no contingent liabilities or contingent assets at 30 June 2014 (nil at 30 June 2013).

28 Share-based Payments

At 30 June 2014 the Group has the following share-based payment schemes:

(i) The Cellmid Limited and Controlled Entities Employee Incentive Plan is designed as an incentive for eligible employees of the Group. Under the plan, participants are granted options which only vest if certain conditions are met.

A summary of the Company options granted under the plan is as follows:

Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Forfeited/ expired	Balance at the end of the year
23/10/2016	0.034	290,542,770	-	-	-	290,542,770
3/07/2013	0.057	3,000,000	-	-	(3,000,000)	-
19/03/2014	0.050	27,198,435	-	-	(27,198,435)	-
1/06/2014	0.050	8,250,000	-	-	(8,250,000)	-
1/07/2014	0.050	5,002,006	-	-	-	5,002,006
20/11/2014	0.056	7,000,000	-	-	-	7,000,000
20/11/2014	0.035	2,000,000	-	-	-	2,000,000
19/02/2015	0.062	600,000	-	-	-	600,000
15/11/2015	0.100	100,000	-	-	-	100,000
15/11/2016	0.030	3,971,962	-	-	-	3,971,962
15/06/2017	0.032	5,000,000	-	-	-	5,000,000
14/08/2017	0.034	1,440,000	-	-	-	1,440,000
		354,105,173	-		(38,448,435)	315,656,738

The weighted average share price during the financial year was \$0.030 (\$0.022 in 2013). The weighted average remaining contractual life of the options outstanding at the end of the financial year was 2.24 years (1.96 years in 2013).

CELLMID LIMITED

Notes to the Financial Statements For the Year Ended 30 June 2014

28 Share-based Payments (continued)

For options granted in the current year financial year, the valuation model inputs used to determine the fair value at the grant date were as follows:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/11/2013	25/11/2016	0.030	0.030	95.58%	0%	3.08%	0.0183

29 Company Details

The registered office of the company is:

Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

The principal places of business are:

Cellmid Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Advangen International Pty Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Advangen Incorporated
Chiba Industry Advancement Centre
Tokatsu Techno Plaza
5-4-6 Kashiwanoha
Kashiwa
Chiba 277-0082 Japan

Cellmid Limited

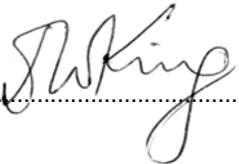
**Directors' Declaration
For the year ended 30 June 2014**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 295 (5) of the Corporations Act 2001.

Director 
Dr David King

Dated this 29th. day of August 2014

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CELLMID LIMITED

Additional Information for Listed Public Companies 30 June 2014

Holding	Ordinary shares	
	Shares	Options

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at .

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Number of shares
CELL SIGNALS INC	28,000,000
SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	22,500,000
MR GREGORY GLENN WORTH	21,080,000
MR JAMES PATRICK TUIE & MRS WENDY TUIE <TUIE SUPER 1 A/C>	20,646,462
MR TREVOR GOTTLIEB	17,973,000
MOORE FAMILY NOMINEE PTY LTD <MOORE FAMILY SUPER FUND A/C>	15,000,000
BHP NO 2 INVESTMENT LIMITED PARTNERSHIP	14,257,426
MR HAROLD LEONARD GOTTLIEB & MRS HELEN CYNTHIA GOTTLIEB <H & H GOTTLIEB PSNL S/F A/C>	12,595,000
MR GREGORY BERNARD HILTON	10,897,000
DR NORIIE ITOH	9,504,950
MR IVAN STARESINIC	8,500,000
MR DARIN ANJOUL & MRS TANIA ANJOUL <TAN GROUP SUPER FUND A/C>	8,000,000
MR PAUL RUGGIERO & MRS LORISSA RUGGIERO	6,650,000
AOUN CORPORATION PTY LTD <A CORP A/C>	6,647,709
MR PAUL RUGGIERO & MRS LORISSA RUGGIERO <L & P RUGGIERO S/F A/C>	6,476,159
MR DARIN ANJOUL & MRS TANIA ANJOUL	6,000,000
MR KEVIN PETER HOOPER & MR RONALD LESLIE HOOPER <SATHNASH P/L SUPER FUND A/C>	6,000,000
DIRECT CAPITAL PTY LTD	5,800,000
TALRIND PTY LTD <WORTH D/T A/C>	5,170,367
MR CHRISTOPHER WALKER	5,000,000

Voting rights

Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

CELLMID LIMITED

Additional Information for Listed Public Companies

30 June 2014

Holding	Ordinary shares	
	Shares	Options

Distribution of equity security holders

Holding	Ordinary shares	
	Shares	Options
1 - 1,000	8,361	2,150
1,001 - 5,000	120,565	88,773
5,001 - 10,000	1,221,477	248,970
10,001 - 100,000	47,942,518	7,665,717
100,000 and over	674,292,781	307,651,128

There were - holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

	Ordinary shares	
	Number held	% of issued shares
CELL SIGNALS INC	28,000,000	3.87
SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	22,500,000	3.11
MR GREGORY GLENN WORTH	21,080,000	2.91
MR JAMES PATRICK TUIITE & MRS WENDY TUIITE <TUIITE SUPER 1 A/C>	20,646,462	2.85
MR TREVOR GOTTLIEB	17,973,000	2.48
MOORE FAMILY NOMINEE PTY LTD <MOORE FAMILY SUPER FUND A/C>	15,000,000	2.07
BHP NO 2 INVESTMENT LIMITED PARTNERSHIP	14,257,426	1.97
MR HAROLD LEONARD GOTTLIEB & MRS HELEN CYNTHIA GOTTLIEB <H & H GOTTLIEB PSNL S/F A/C>	12,595,000	1.74
MR GREGORY BERNARD HILTON	10,897,000	1.51
DR NORIIE ITOH	9,504,950	1.31
MR IVAN STARESINIC	8,500,000	1.18
MR DARIN ANJOUL & MRS TANIA ANJOUL <TAN GROUP SUPER FUND A/C>	8,000,000	1.11
MR PAUL RUGGIERO & MRS LORISSA RUGGIERO	6,650,000	0.92
AOUN CORPORATION PTY LTD <A CORP A/C>	6,647,709	0.92
MR PAUL RUGGIERO & MRS LORISSA RUGGIERO <L & P RUGGIERO S/F A/C>	6,476,159	0.90
MR DARIN ANJOUL & MRS TANIA ANJOUL	6,000,000	0.83
MR KEVIN PETER HOOPER & MR RONALD LESLIE HOOPER <SATHNASH P/L SUPER FUND A/C>	6,000,000	0.83
DIRECT CAPITAL PTY LTD	5,800,000	0.80
TALRIND PTY LTD <WORTH D/T A/C>	5,170,367	0.72
MR CHRISTOPHER WALKER	5,000,000	0.69

CELLMID LIMITED

Additional Information for Listed Public Companies
30 June 2014

Holding	Ordinary shares	
	Shares	Options
Twenty largest optionholders		
		Options
	Number held	% of issued options
STRUCTURE INVESTMENTS PTY LTD <ROGERS FAMILY A/C>	41,000,000	13.20
MRS WISHNY SRITHARAN KRISHNARAJAH	22,000,000	7.08
MR OSCAR DARIO ROSERO <OSCAR ROSERO SUPER FUND A/C>	13,580,853	4.37
MR TREVOR GOTTLIEB	13,255,500	4.27
SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	11,250,000	3.62
PAESLER TRADING PTY LTD <PAESLER FAMILY A/C>	10,000,000	3.22
MR JAMES PATRICK TUIE & MRS WENDY TUIE <TUIE SUPER 1 A/C>	9,523,231	3.07
MR GREGORY GLENN WORTH <WORTH S/F A/C>	8,000,000	2.58
MR PAUL PHILIP RANBY	7,535,813	2.43
DIRECT CAPITAL PTY LTD <HALASZ FAM RETIRE FUND A/C>	7,000,000	2.25
MR EGAN HARVEY JOHNSON	5,746,225	1.85
PROF WILLIAM JAMES VAGG	5,650,000	1.82
MR DARIN ANJOUL & MRS TANIA ANJOUL <TAN GROUP SUPER FUND A/C>	5,000,000	1.61
MR DARIN ANJOUL & MRS TANIA ANJOUL	5,000,000	1.61
DIRECT CAPITAL GROUP PTY LTD	5,000,000	1.61
MR SHERMAN YIP	5,000,000	1.61
MS JOANNE MARTIN	4,251,000	1.37
MR TRAFFORD WILLIAM VAGG	4,059,273	1.31
MR ROBIN BEAUMONT	3,971,962	1.28
GOFFACAN PTY LTD	3,850,000	1.24
MR ANH DUY PHAN & MRS LIEN XUAN THI TRAN	3,850,000	1.24

Unissued equity securities

Options issued .

Securities exchange

The Company is listed on the Australian Securities Exchange.

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF CELLMID LIMITED

As lead auditor of Cellmid Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Gareth Few

Partner

BDO East Coast Partnership

Sydney, 29 August 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Cellmid Limited

Report on the Financial Report

We have audited the accompanying financial report of Cellmid Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cellmid Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Cellmid Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Cellmid Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership



Gareth Few
Partner

Sydney, 29 August 2014

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