# Select Vaccines Limited

ABN: 25 062 063 692

**ASX Preliminary final report ~ December 31, 2009**

**Lodged with the ASX under ASX Listing Rule 4.3A**

This report is to be read in conjunction with any public announcements made by the company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**Contents**

# Select Vaccines Limited

ABN: 25 062 063 692

Reporting period 12 months ended December 31, 2009.
Previous period: 12 months ended December 31, 2008.

**Results to be announced to the market**

| | | % Mvt. | | A$'000 |
|---|---|---|---|---|
| Revenue from ordinary activities | Down | 58.89% | to | 31 |
| (Loss) / from ordinary activities | Down | 60.88% | to | (454) |
| Net (loss) for the year attributable to members | Down | 60.88% | to | (454) |

**Dividends**

It is not proposed to pay a dividend.

| Other information | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Net tangible assets per ordinary share | **0.11 cents** | **0.29 cents** |

This preliminary final report is based on accounts which are in the process of being audited. The audit report will be made available when the company lodges its Annual Report.

## Select Vaccines Limited and Controlled Entities
## ABN 025 062 063 692

### Statement of Comprehensive Income
### for the year ended 31 December 2009

| | Note | Economic Entity 2009 | Economic Entity 2008 | Parent Entity 2009 | Parent Entity 2008 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Revenue | 2 | 30,929 | 75,243 | 30,929 | 75,243 |
| Depreciation | 3 | (394) | (10,310) | (394) | (4,413) |
| Audit fees | 3 | (30,000) | (30,545) | (30,000) | (30,545) |
| Corporate & Compliance costs | 3 | (131,768) | (167,665) | (131,768) | (167,665) |
| Research & development | 3 | (118,385) | (880,210) | (118,385) | (879,873) |
| Directors' fees | 3 | (143,209) | (206,230) | (143,209) | (206,230) |
| Reinstatement of subsidiary loans | 3 | - | - | 22,000 | 335,306 |
| General and Administration | 3 | (109,427) | (562,346) | (102,464) | (562,347) |
| Loss before income tax | | (502,254) | (1,782,063) | (473,291) | (1,440,524) |
| Income tax benefit | 4 | 48,073 | 620,928 | 48,073 | 620,928 |
| Loss for the year | | (454,181) | (1,161,135) | (425,218) | (819,596) |
| Net loss attributable to members of the parent entity | | (454,181) | (1,161,135) | (425,218) | (819,596) |
| Basic earnings per share (cents per share) | 7 | (0.18) | (0.45) | | |
| Diluted earnings per share (cents per share) | 7 | (0.18) | (0.45) | | |

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements which follow

## Select Vaccines Limited and Controlled Entities
## ABN 025 062 063 692

### Statement of Financial Position as at 31 December 2009

| | Note | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 8 | 389,203 | 461,818 | 381,113 | 453,243 |
| Trade and other receivables | 9 | 3,850 | 356,514 | 3,848 | 356,514 |
| **Total current assets** | | 393,053 | 818,332 | 384,961 | 809,757 |
| **Non-current assets** | | | | | |
| Financial assets | 10 | - | - | - | - |
| Plant and equipment | 12 | - | 36,742 | - | 8,261 |
| **Total non-current assets** | | - | 36,742 | - | 8,261 |
| **Total assets** | | 393,053 | 855,074 | 384,961 | 818,018 |
| **Current liabilities** | | | | | |
| Trade and other payables | 13 | 106,524 | 108,474 | 106,524 | 108,473 |
| Provisions | 14 | - | 5,509 | - | 5,509 |
| **Total current liabilities** | | 106,524 | 113,983 | 106,524 | 113,982 |
| **Non-current liabilities** | | | | | |
| Provisions | 14 | - | 381 | - | 381 |
| **Total non-current liabilities** | | - | 381 | - | 381 |
| **Total liabilities** | | 106,524 | 114,364 | 106,524 | 114,363 |
| **Net assets** | | 286,529 | 740,710 | 278,437 | 703,655 |
| **Equity** | | | | | |
| Contributed equity | 15 | 36,268,907 | 36,268,907 | 36,268,907 | 36,268,907 |
| Accumulated losses | | (35,982,378) | (35,528,197) | (35,990,470) | (35,565,252) |
| **Total equity** | | 286,529 | 740,710 | 278,437 | 703,655 |

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements which follow

**Select Vaccines Limited and Controlled Entities**
**ABN 025 062 063 692**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009**

| | Economic Entity | | |
|---|---|---|---|
| | Contributed Equity | Accumulated Losses | Total |
| | $ | $ | $ |
| Balance at 1/1/2008 | 36,268,907 | (34,367,062) | 1,901,845 |
| Loss attributable to members of parent entity | - | (1,161,135) | (1,161,135) |
| Balance at 31/12/2008 | 36,268,907 | (35,528,197) | 740,710 |
| Loss attributable to members of parent entity | - | (454,181) | (454,181) |
| Balance at 31/12/2009 | 36,268,907 | (35,982,378) | 286,529 |

| | Parent Entity | | |
|---|---|---|---|
| | Contributed Equity | Accumulated Losses | Total |
| | $ | $ | $ |
| Balance at 1/1/2008 | 36,268,907 | (34,745,656) | 1,523,251 |
| Loss attributable to members of parent entity | - | (819,596) | (819,596) |
| Balance at 31/12/2008 | 36,268,907 | (35,565,252) | 703,655 |
| Loss attributable to members of parent entity | - | (425,218) | (425,218) |
| Balance at 31/12/2009 | 36,268,907 | (35,990,470) | 278,437 |

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements which follow

## Select Vaccines Limited and Controlled Entities.
## ABN 25 062 063 692

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

| | Note | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | | $ | $ | $ | $ |
| **Cash flows from operating activities** | | | | | |
| Payments to suppliers and employees | | (517,854) | (1,928,227) | (517,369) | (1,915,379) |
| Interest received | | 5,486 | 82,628 | 5,486 | 82,628 |
| Other receipts | | 411,492 | 668,080 | 411,492 | 308,376 |
| Net cash used in operating activities | 19a | (100,876) | (1,177,519) | (100,391) | (1,524,375) |
| **Cash flows from investing activities** | | | | | |
| Sales of plant and equipment | | 28,261 | - | 28,261 | - |
| Advances to related parties | | - | - | - | (14,693) |
| Repayments from related parties | | - | - | - | 350,000 |
| Net cash provided by investing activities | | 28,261 | - | 28,261 | 335,307 |
| Net decrease in cash held | | (72,615) | (1,177,519) | (72,130) | (1,189,068) |
| Cash and cash equivalents at beginning of year | | 461,818 | 1,639,337 | 453,243 | 1,642,311 |
| Cash and cash equivalents at end of year | 8 | 389,203 | 461,818 | 381,113 | 453,243 |

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements which follow

## Note 1 Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Select Vaccines Limited and the controlled entities, being the economic entity. Select Vaccines Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Select Vaccines Limited and controlled entities, being the economic entity, comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Basis of preparation

*Adoption of Australian Equivalents to International Financial Reporting Standards*

Select Vaccines Limited and controlled entities, being the economic entity, have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 January 2007.

The accounting policies set out below have been consistently applied to all years presented.

*Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### Accounting policies

**a. Principles of consolidation**

A controlled entity is any entity controlled by Select Vaccines Limited. Control exists where Select Vaccines Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Select Vaccines Limited to achieve the objectives of Select Vaccines Limited. A list of controlled entities is contained in Note 11 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

**b. Income tax**

The charge for current income tax expenses is based on the profit or loss for the year adjusted for any non-assessable or non-deductible items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**c. Property, plant and equipment**

Each class of property and plant is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

*Depreciation*

The depreciable amount of all fixed assets is calculated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

| Class of fixed asset | Depreciation rate |
|---|---|
| Plant and equipment | 33% |
| Office furniture | 7.5-20% |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount would otherwise be 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 income statement.

**d. Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Operating Leases*
The minimum lease payments of the operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

*Finance Leases*
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the lessee are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

**e. Financial instruments**

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

*Investments*

Investments held for trading are recorded at fair value and classified as current assets. All other investments are recorded at fair value and either classified as current or non-current assets. The gains or losses, whether realised or unrealised, are included in profit before income tax.

*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 stated at amortised cost using the effective interest rate method.

*Fair value*

Fair value is determined based on current bid prices for quoted investments at reporting dates. Valuation techniques are applied to determine the fair value for unlisted securities including; recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

**f. Research and development expenditure**

Research and Development costs are charged to profit before income tax is incurred.

**g. Intangibles**

*Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

*Other*

Other intangibles are recorded at cost of acquisition and amortised over their deemed useful life. They are tested annually for impairment and carried at cost less accumulated losses.

**h. Cash and cash equivalents**

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 3 months, net of outstanding bank overdrafts.

**i. Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**j. Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

**k. Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

**l. Impairment of assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

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

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.

**m. Share-based payments**

Equity-settled payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability or exercise restrictions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

**n. Share capital**

Ordinary share capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**o. Earnings per share**

Basic earnings per share is determined by dividing the loss after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

**p. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables and payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

**q. Comparative figures**

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

## Note 2 Revenue

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Interest revenue - other persons | 4,063 | 75,243 | 4,063 | 75,243 |
| Other | 26,866 | - | 26,866 | - |
| Total Revenue | 30,929 | 75,243 | 30,929 | 75,243 |

## Note 3 Profit/(loss)

Loss before income tax has been determined after:

**a. Expenses**

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Depreciation of non-current assets: | | | | |
| - Depreciation | 394 | 10,310 | 394 | 4,413 |
| Total Depreciation | 394 | 10,310 | 394 | 4,413 |
| Research and development costs: | | | | |
| - Research & development | 118,385 | 880,210 | 118,385 | 879,873 |
| Total Research & Development | 118,385 | 880,210 | 118,385 | 879,873 |
| Write-down of assets: | | | | |
| - Impairment of subsidiaries loans | - | - | - | 14,694 |
| - Reinstatement of subsidiary loan | | - | (22,000) | (350,000) |
| Total Write-down of Assets | - | - | (22,000) | (335,306) |
| Audit fees | 30,000 | 30,545 | 30,000 | 30,545 |
| Corporate & Compliance Costs | 131,768 | 167,665 | 131,768 | 167,665 |
| Directors' fees | 143,209 | 206,230 | 143,209 | 206,230 |
| General and Administration | 109,427 | 562,346 | 102,464 | 562,347 |
| Total Other Expenses | 414,404 | 966,786 | 407,441 | 966,787 |
| **Total Expenses** | 533,183 | 1,857,306 | 504,220 | 1,515,767 |

**b. Revenue and net gains**

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| - Select Vaccines Ltd gain on write-back of inter-company loan from Hepgenic Pty Ltd | - | - | 22,000 | 335,306 |
| | - | - | 22,000 | 335,306 |

## Note 4 Income tax expense

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **a. The prima facie tax on loss before tax is reconciled to the income tax as follows:** | | | | |
| Prima facie tax payable on loss before income tax at 30% (2008:30%) | | | | |
| — Economic entity | (129,654) | (447,326) | - | - |
| — Parent entity | - | - | (135,665) | (344,864) |
| | (129,654) | (447,326) | (135,665) | (344,864) |
| Add/(less): | | | | |
| Tax effect of: | | | | |
| Research and development rebate | - | (620,928) | - | (620,928) |
| Deferred tax asset | 81,581 | 447,326 | 87,592 | 344,864 |
| Income tax expense attributable to profit/loss before income tax | (48,073) | (620,928) | (48,073) | (620,928) |
| **b. The Directors estimate that the potential deferred tax asset at 31 December 2009 in respect of tax losses not brought to account is:** | | | | |
| Carried forward losses | 4,349,458 | 4,266,589 | 2,355,780 | 2,272,911 |

This benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and

(ii) the losses are transferred to an eligible entity in the consolidated entity; and

(iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iv) no changes in tax legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.

## Note 5 Key Management Personnel compensation

**a.** Names and positions held of Economic & Parent Entity Directors and Specified Executives in office at any time during the financial year are:

**Economic & Parent Entity Directors**

Shane Allan ( Chairman, Non-Executive Director, appointed 14/02/07)

George Weber (Non-Executive Director, appointed 19/05/04)

Ian Cooke (Non-Executive Director, appointed 19/05/04)

Robin Beaumont (appointed 1/04/03 resigned 31/07/09)

**Specified Executives**

Julie Nutting-Chief Executive Officer. Appointed 31/08/08 resigned 31/05/09.

Richard Wadley - Company Secretary & Chief Financial Officer. Appointed 2/04/07

### b. Compensation of Key Management Personnel

The aggregate compensation made to key management personnel of the Economic & Parent Entity is set out below:

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Short-term employee benefits | 124,251 | 430,000 | 124,251 | 430,000 |
| Post-employee benefits | - | 19,830 | - | 19,830 |
| Other long-term benefits | - | - | - | - |
| Share-based payment | - | - | - | - |
| | 124,251 | 449,830 | 124,251 | 449,830 |

The compensation of each member of the key management personnel of the Economic & Parent Entity is set out below:

**c. Economic & Parent Entity Directors' remuneration**

**2009**

| | Primary Benefits Base Fee | Other Compensation Benefits | Post Employment Super | Equity Compensation | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Robin Beaumont | 28,333 | - | - | - | 28,333 |
| George Weber | 32,115 | - | - | - | 32,115 |
| Ian Cooke | 32,115 | - | - | - | 32,115 |
| Shane Allan | 50,646 | - | - | - | 50,646 |
| | 143,209 | - | - | - | 143,209 |

Robin Beaumont resigned from the Company on July 31, 2009

**2008**

| | Primary Benefits Base Fee | Other Compensation Benefits | Post Employment Super | Equity Compensation | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Robin Beaumont | 80,000 | - | - | - | 80,000 |
| Martin Soust | 189,500 | - | - | - | 189,500 |
| George Weber | 40,000 | - | - | - | 40,000 |
| Ian Cooke | 40,000 | - | - | - | 40,000 |
| Shane Allan | 46,170 | | | | 46,170 |
| | 441,500 | - | - | - | 448,500 |

Martin Soust resigned from the Company on August 31, 2008

The service and performance criteria set to determine remuneration are included per note (g) below.

## Select Vaccines Limited and Controlled Entities
## ABN 025 062 063 692
### Notes to the Financial Statements for the year ended 31 December 2009

**d. Specified Executives' remuneration**

**2009**

| | Primary Benefits Base Fee | Other Compensation Benefits | Post Employment Super | Equity Compensation | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Julie Nutting | 78,864 | - | - | - | 78,864 |
| Richard Wadley | 42,395 | - | - | - | 42,395 |
| | 121,259 | - | - | - | 121,259 |

**2008**

| | Primary Benefits Base Fee | Other Compensation Benefits | Post Employment Super | Equity Compensation | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Julie Nutting | 52,500 | - | - | - | 52,500 |
| Richard Wadley | 54,600 | - | - | - | 54,600 |
| | 107,100 | - | - | - | 107,100 |

**e. Options and rights holdings**

Number of options held by Economic & Parent Entity Directors and Specified Executives

| **2009** | Balance 1/1/09 | Granted as remuneration | Options exercised | Net change other 1 | Balance 31/12/09 | Total vested 31/12/09 | Total exercisable 31/12/09 | Total unexercisable 31/12/09 |
|---|---|---|---|---|---|---|---|---|
| **Economic & Parent Entity Directors** | | | | | | | | |
| Robin Beaumont | - | - | - | - | - | - | - | - |
| George Weber | - | - | - | - | - | - | - | - |
| Shane Allan | - | - | - | - | - | - | - | - |
| Ian Cooke | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - |

[1] The net change other reflected above includes those options that have expired or been issued during the year under review, other than for remuneration, or traded on market.

| **2008** | Balance 1/1/08 | Granted as remuneration | Options exercised | Net change other [2] | Balance 31/12/08 | Total vested 31/12/08 | Total exercisable 31/12/08 | Total unexercisable 31/12/08 |
|---|---|---|---|---|---|---|---|---|
| **Economic & Parent Entity Directors** | | | | | | | | |
| Robin Beaumont | 525,000 | - | - | (525,000) | - | - | - | - |
| Martin Soust | 800,229 | - | - | (800,229) | - | - | - | - |
| George Weber | 500,000 | - | - | (500,000) | - | - | - | - |
| Ian Cooke [3] | - | - | - | - | - | - | - | - |
| Shane Allan | - | - | - | - | - | - | - | - |
| Total | 1,825,229 | - | - | (1,825,229) | - | - | - | - |

[2]The net change other reflected above includes those options that have expired, been transferred, or been issued during the year under review, other than for remuneration, or traded on market.

[3] Under the terms of Dr Cooke's employment with The Burnet Institute for Medical Research and Public Health Limited, Dr Cooke assigned all beneficial ownership of options issued to him during the year to the Institute for Nil consideration.

**f. Shareholdings**

Number of shares held by Economic & Parent Entity Directors and Specified Executives

| Economic & Parent Entity Directors 2009 | Balance 1/1/09 | Received as remuneration | Options exercised | Net change other [1] | Balance 31/12/09 |
|---|---|---|---|---|---|
| Robin Beaumont | 5,800,000 | - | - | (5,800,000) | - |
| George Weber | 360,000 | - | - | - | 360,000 |
| Ian Cooke | 56,000 | - | - | - | 56,000 |
| Shane Allan | - | - | - | - | - |
| Total | 6,216,000 | - | - | (5,800,000) | 416,000 |

1 Robin Beaumont resinged from the Company on July 31, 2009

| Economic & Parent Entity Directors 2008 | Balance 1/1/08 | Received as remuneration | Options exercised | Net change other [2] | Balance 31/12/08 |
|---|---|---|---|---|---|
| Robin Beaumont | 4,625,000 | - | - | 1,175,000 | 5,800,000 |
| Martin Soust | 798,124 | - | - | (798,124) | - |
| George Weber | 360,000 | - | - | - | 360,000 |
| Ian Cooke | 56,000 | - | - | - | 56,000 |
| Total | 5,839,124 | - | - | 376,876 | 6,216,000 |

[2] The net change other reflected above includes those shares issued during the year under review via new equity issue, other than for remuneration, or traded on market.

**g. Compensation practices**

The company has a Remuneration and Nomination Committee that administers the Company's remuneration policy.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives may receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance, with those granted to Directors subject to Shareholder approval.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

## Note 6 Auditors' remuneration

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Remuneration of the auditor of the parent entity for: | | | | |
| - an audit or review of the financial report | 30,000 | 36,000 | 30,000 | 36,000 |
| - taxation services | 9,235 | 9,403 | 9,235 | 9,403 |
| | 39,235 | 45,403 | 39,235 | 45,403 |

## Note 7 Earnings per share

| | Economic Entity 2009 Cents | Economic Entity 2008 Cents |
|---|---|---|
| Basic earnings/(loss) per share | (0.18) | (0.45) |
| Diluted earnings/(loss) per share | (0.18) | (0.45) |
| | **2009 $** | **2008 $** |
| **a. Reconciliation of Earnings to Net Profit or Loss** | | |
| Net loss | (454,181) | (1,161,135) |
| Net loss attributable to minority equity interest | | - |
| Earnings used in the calculation of basic & dilutive EPS | (454,181) | (1,161,135) |
| **b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS** | 255,350,452 | 255,350,452 |

## Note 8 Cash and cash equivalents

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Cash at bank | 389,203 | 461,818 | 381,113 | 453,243 |
| | 389,203 | 461,818 | 381,113 | 453,243 |

## Note 9 Trade and other receivables

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **Current** | | | | |
| Trade debtors | - | 1,423 | - | 1,423 |
| Less provision for doubtful debts | - | - | - | - |
| | - | 1,423 | - | 1,423 |
| Goods and services tax | 3,850 | 18,539 | 3,848 | 18,539 |
| Other debtors | - | 336,552 | - | 336,552 |
| | 3,850 | 356,514 | 3,848 | 356,514 |
| **Non-current** | | | | |
| Amounts receivable from: | | | | |
| - Subsidiary entities | - | - | 3,397,517 | 3,419,517 |
| Less provision for impairment | | | (3,397,517) | (3,419,517) |
| | - | - | - | - |

## Note 10 Financial assets

| | Note | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Unlisted investments: | | | | | |
| Shares in controlled entities, at cost | 11 | - | - | 11,005,923 | 11,005,923 |
| Less provision for impairment of investments | | - | - | (11,005,923) | (11,005,923) |
| Shares in other corporations, at cost | | 100,000 | 100,000 | 100,000 | 100,000 |
| Less provision for impairment of investments | | (100,000) | (100,000) | (100,000) | (100,000) |
| | | - | - | - | - |

## Note 11 Controlled entities

| | Country of Incorporation | Principal Activity | Percentage Owned (%) 2009 | Percentage Owned (%) 2008 |
|---|---|---|---|---|
| **Parent Entity** | | | | |
| Select Vaccines Limited | Australia | Investment | | |
| **Subsidiaries of Select Vaccines Limited** | | | | |
| Hepgenics Pty Ltd | Australia | Medical Research | 100 | 100 |
| Picoral Pty Ltd | Australia | Medical Research | 100 | 100 |

## Note 12 Plant and equipment

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Plant & equipment | | | | |
| At cost | - | 114,136 | - | 56,287 |
| Accumulated depreciation | - | (82,360) | - | (52,992) |
| | - | 31,776 | - | 3,295 |
| Office furniture | | | | |
| At cost | - | 6,825 | - | 6,825 |
| Accumulated depreciation | - | (1,859) | - | (1,859) |
| | - | 4,966 | - | 4,966 |
| Total Plant and Equipment | - | 36,742 | - | 8,261 |

a. **Movements in Carrying Amounts**

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **Plant & equipment** | | | | |
| Balance at the beginning of year | 31,776 | 41,099 | 3,295 | 6,817 |
| Additions/disposals | (31,382) | - | (2,901) | - |
| Depreciation expense | (394) | (9,323) | (394) | (3,522) |
| Carrying amount at the end of year | - | 31,776 | - | 3,295 |
| **Office furniture** | | | | |
| Balance at the beginning of year | 4,966 | 5,858 | 4,966 | 5,858 |
| Additions/disposals | (4,966) | - | (4,966) | - |
| Depreciation expense | - | (892) | - | (892) |
| Carrying amount at the end of year | - | 4,966 | - | 4,966 |

## Note 13 Trade and other payables

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **Current** | | | | |
| Trade creditors | 25,606 | 45,137 | 25,606 | 45,137 |
| Sundry creditors and accrued expenses | 80,918 | 63,337 | 80,918 | 63,336 |
| | 106,524 | 108,474 | 106,524 | 108,473 |

## Note 14 Provisions

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Current** | | | | |
| Employee entitlements | - | 5,509 | - | 5,509 |
| | - | 5,509 | - | 5,509 |
| **Non-current** | | | | |
| Employee entitlements | - | 381 | - | 381 |
| | - | 381 | - | 381 |
| **Movement** | | | | |
| **Annual Leave** | | | | |
| Balance at the beginning of the year | 5,509 | 5,780 | 5,509 | 5,780 |
| Accrued annual leave | 5,809 | 12,118 | 5,809 | 12,118 |
| Utilised annual leave | (11,318) | (12,389) | (11,318) | (12,389) |
| Balance at the end of the year | - | 5,509 | - | 5,509 |
| **Long Service Leave** | | | | |
| Balance at the beginning of the year | 357 | 357 | 357 | 357 |
| Accrued long service leave | - | 24 | - | 24 |
| Utilised long service leave | (357) | - | (357) | - |
| Balance at the end of the year | - | 357 | - | 357 |

**Select Vaccines Limited and Controlled Entities**
**ABN 025 062 063 692**
**Notes to the Financial Statements for the year ended 31 December 2009**

**Note 15 Contributed equity**

| | Note | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| Ordinary Shares fully paid | 15a | 33,830,996 | 33,830,996 | 33,830,996 | 33,830,996 |
| Options | 15b | 2,437,911 | 2,437,911 | 2,437,911 | 2,437,911 |
| | | 36,268,907 | 36,268,907 | 36,268,907 | 36,268,907 |

| | Note | 2009 No. of Shares | 2009 $ | 2008 No. of Shares | 2008 $ |
|---|---|---|---|---|---|
| **a. Movement in ordinary shares on issue** | | | | | |
| At the beginning of the reporting period | | 255,350,452 | 33,830,996 | 255,350,452 | 33,830,996 |
| Shares issued during the year | 16a(i) | - | - | - | - |
| Exercise of options | 16b(ii) | - | - | - | - |
| Transaction costs relating to share issues | | - | - | - | - |
| At reporting date | | 255,350,452 | 33,830,996 | 255,350,452 | 33,830,996 |

| | Note | 2009 No. of Options | 2009 $ | 2008 No. of Options | 2008 $ |
|---|---|---|---|---|---|
| **b. Movements in options on issue** | | | | | |
| At beginning of the reporting period | | 5,000,000 | 2,437,911 | 34,999,265 | 2,437,911 |
| Issued during the year | 16b(i) | - | - | - | - |
| Exercised during the year | 16b(ii) | - | - | - | - |
| Expired during the year | 16b(iii) | (2,000,000) | - | (29,999,265) | - |
| At reporting date | | 3,000,000 | 2,437,911 | 5,000,000 | 2,437,911 |

**(i)** 2009 No Options were issued during the year

**(ii)**

| 2008 | Details | Number | Issue Price $ | $ |
|---|---|---|---|---|
| 30-October-2008 | Expiration of unlisted SLTAQ options exercisable at $0.30 on or before 30 October 2008 | 500,000 | | - |
| 31-May-2008 | Expiration of unlisted SLTOA options exercisable at $0.20 on or before 31 May 2008 | 23,479,265 | | - |
| 30-April-2008 | Expiration of unlisted SLTAO options exercisable at $0.30 on or before 30 April 2008 | 3,520,000 | | - |
| 29-April-2008 | Expiration of unlisted SLTAU options exercisable at $0.43 on or before 29 April 2008 | 1,000,000 | | - |
| 29-April-2008 | Expiration of unlisted SLTAP options exercisable at $0.30 on or before 31May 2008 | 1,500,000 | | - |
| | | 29,999,265 | | - |

## Note 16 Operating lease commitments

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **a. Operating lease commitments** | | | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | | | |
| Payable | | | | |
| — not later than 1 year | - | 1,430 | - | 1,430 |
| — later than 1 year but not later than 5 years | - | - | - | - |
| — later than 5 years | - | - | - | - |
| | - | 1,430 | - | 1,430 |

## Note 17 Contingent liabilities

There are no contingent liabilities

## Note 18 Operating Segment

In early 2007 the group was re-structured and now only carries out medical research. The economic entity operates only in Australia. The entity derived income from medical research.

## Note 19 Cash flow information

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **a. Reconciliation of cash flow from operations with loss** | | | | |
| Loss | (454,181) | (1,161,135) | (425,218) | (819,596) |
| Non-cash movements | | | | |
| - Depreciation | 394 | 10,215 | 354 | 4,413 |
| - Write-back intercompany loans and impairment of shares | - | - | (22,000) | (335,306) |
| Loss sale of plant and equipment | 8,087 | - | 1,646 | - |
| Changes in assets & liabilities | | | | |
| (Increases)/decreases in trade & other receivables | 352,664 | 57,961 | 352,666 | (304,248) |
| (Increases)/decreases in other current assets | - | 25,771 | - | 25,771 |
| Increases/(decreases) in trade & other payables | (1,950) | (110,084) | (1,949) | (95,162) |
| Increases/(decreases) in leave provisions | (5,890) | (247) | (5,890) | (247) |
| Cash flows from operations | (100,876) | (1,177,519) | (100,391) | (1,524,375) |

**b. Non-cash financing and investing activities**

Issue of shares and options for nil consideration.

Refer to Note 15 Contributed Equity for further information.

**c. Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Cash on hand and at bank | 389,203 | 461,818 | 381,113 | 453,243 |
| | 389,203 | 461,818 | 381,113 | 453,243 |

## Note 20 Employee share based payments under Share & Option Plan

The Company established the Select Vaccines Employees', Directors' and Consultants' Share and Option Plan on 22 April 2005. All employees, directors and consultants are eligible to participate in the plan.

No Options were issued during 2009 (2008 nil).

The closing share market price of an ordinary share of Select Vaccines Limited on the Australian Stock Exchange at 31 December 2009 was $0.007 (31 December 2008:$0.007).

| | Economic Entity 2009 No. | Economic Entity 2008 No. | Parent Entity 2009 No. | Parent Entity 2008 No. |
|---|---|---|---|---|
| **a. Movement in the number of share options held by employees/directors are as follows:** | | | | |
| Opening balance | - | 2,450,000 | - | 2,450,000 |
| Granted during the year | - | - | - | - |
| Exercised / Lapsed during the year | - | (2,450,000) | - | (2,450,000) |
| Closing balance | - | - | - | - |

## Note 21 Events subsequent to reporting date

No matters or circumstances have arisen since the end of the year which have significantly affected or may significantly affect the operations of the entitiy , the results of those operations, or the state of affairs of the entity in subsequent financial periods.

## Note 22 Related party transactions

| | Economic Entity 2009 $ | Economic Entity 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. | | | | |
| Transactions with related parties: | | | | |
| (i) Other related parties | | | | |
| Loans to subsidiary companies | - | - | - | 14,693 |
| Loans from subsidiary companies | | | (22,000) | (350,000) |

(ii) Identification of Related Parties
Ultimate Parent Entity
Select Vaccines Limited is the ultimate parent entity.

Controlled entities
Refer to note 11 for details of controlled entities.

(iii) Key Management Personnel
Details relating to key management personnel, including remuneration paid, are included in note 5.

## Note 23 Financial Instruments

**a. Interest rate risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| | Weighted average interest rate | Floating interest rate | Fixed interest 1 year or less | Maturing in 1-5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 6.64% | 389,203 | - | - | - | 389,203 |
| Trade and other receivables | | - | - | - | 3,850 | 3,850 |
| Financial assets - non-current | | - | - | - | - | - |
| Total financial assets | | 389,203 | - | - | 3,850 | 393,053 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | | - | - | - | 106,524 | 106,524 |
| Total financial liabilities | | - | - | - | 106,524 | 106,524 |

| | Weighted average interest rate | Floating interest rate | Fixed interest 1 year or less | Maturing in 1-5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| | 2008 | 2008 | 2008 | 2008 | 2008 | 2008 |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 3.50% | 461,816 | - | - | - | 461,816 |
| Trade and other receivables | | - | - | - | 356,514 | 365,514 |
| Financial assets - non-current | | - | - | - | - | - |
| Total financial assets | | 461,816 | - | - | 356,514 | 827,330 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | | - | - | - | 115,474 | 115,474 |
| Total financial liabilities | | - | - | - | 115,474 | 115,474 |

**b. Credit risk**

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets is the carrying amount net of any provision for doubtful debts.

**c. Net fair values**

The net fair values of listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

For other assets and other liabilities the net fair value approximates their carrying value.

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Carrying amount | Net fair value | Carrying amount | Net fair value |
| | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Cash and cash equivalents | 389,203 | 389,203 | 461,818 | 461,818 |
| Trade and other receivables | 3,850 | 3,850 | 356,514 | 356,514 |
| Financial assets | - | - | - | - |
| | 393,053 | 393,053 | 818,332 | 818,332 |
| **Financial liabilities** | | | | |
| Trade and other payables | 106,524 | 106,524 | 108,474 | 108,474 |
| | 106,524 | 106,524 | 108,474 | 108,474 |

**Note 24 Company details**

The registered office of the Company is:

Select Vaccines Limited
C/- Mclean Delmo
Level 10, 302-303 Burwood Road
Hawthorn Victoria 3122

The principal place of business is:

Select Vaccines Limited
Level 10, South Tower
459 Collins Street
Melbourne Victoria 3000