APOLLO LIFE SCIENCES LIMITED

ABN 13 102 084 917

Financial Statements for the Year Ended 30 June 2008

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Directors' Report

The directors of Apollo Life Sciences Limited (the "Company") have prepared the following annual financial report for the financial year ended 30 June 2008. In order to comply with the provisions with the Corporations Act 2001, the directors report as follows:

Directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

John Priest BBus FCPA FAICD (Chairman and Chief Executive Officer, member of the Remuneration Committee and of the Audit and Risk Committee). Age 59.

John is the founder of Apollo and has overseen its development and growth as Chief Executive Officer and Chairman from its inception in September 2002. He has a strong commercial background with extensive experience in entering new markets, building international manufacturing capacity and developing strategies for multi-billion dollar markets dominated by large corporations. His experience covers industries including consumer products, technology and communications through to established infrastructure companies. John was Chief Financial Officer and Director of Corporate Development at Coca-Cola Amatil, and was part of its transition from a diversified consumer products & tobacco company to a global soft drinks company. He helped drive the rapid transformation of the company with the acquisition of all the Coca-Cola franchises throughout 17 countries in Eastern Europe and south-east Asia.

In addition, John is a current non-executive director of Sydney Water, and a non-executive director of Opera Foundation Australia, an affiliate of the Securities Institute of Australia, and a Fellow of the Australian Institute of Company Directors.

John holds 101,968,553 ordinary shares and 7,000,000 options over unissued ordinary shares in the Company.

Paul Murnane BEc MBA ASIA FAICD (Non-Executive Director, Chairman of the Audit and Risk Committee and the Remuneration Committee). Age 60.

Paul was appointed as an independent non-executive director of Apollo on 22 April 2005. He is a Senior Advisor of O'Sullivan Partners, an independent corporate advisor and is an advisor to a number of companies in Australia and overseas. He has 25 years' experience in broking, commercial and investment banking, including Citibank, and, most recently, Goldman Sachs JBWere. He also served as Managing Director and Partner with Russell Reynolds Associates Inc, a leading global executive search firm, for 15 years. He is a non-executive Director of Multiple Sclerosis Limited, Multiple Sclerosis Research Australia and Multiple Sclerosis Australia, a non-executive Director of The Sydney Institute and a Member of the Library Council of New South Wales.

Paul holds 167,300 ordinary shares and 525,000 options over unissued ordinary shares in the Company.

Antony Basten AO FAA FTSE MBBS DPhil (Oxon) FRCP FRACP FRCPA (Non-Executive Director, member of the Audit and Risk Committee and the Remuneration Committee). Age 69.

Professor Basten was appointed as an independent non-executive director of Apollo on 22 April 2005. He is a distinguished clinician scientist who holds fellowships of the Australian Academies of Science and Technical Sciences and Engineering. He is an Emeritus Professor at the University of Sydney, a Senior Principal Research Fellow at the Garvan Institute and until recently was the foundation Executive Director of the Centenary Institute of Cancer Medicine & Cell Biology. He was winner of the inaugural Wellcome Australia medal for distinguished discovery and its demonstrated use, a Florey lecturer of the Royal Society, London and the chief Commonwealth advisor on the medical and scientific aspects of HIV/AIDS. He is also a director of Biotech Capital.

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Directors' Report

His research spans the interface between the laboratory and the bedside. On the commercial front he has secured, together with colleagues, a number of industry grants, has experience in the running of clinical trials, and has served on the scientific advisory boards of biotechnology companies. In recognition of his contributions to medicine and health and medical research he became an Officer in the General Division Order of Australia and was elected to Fellowship of the Australian Academies of Science and Technological Sciences and Engineering and received a Centenary Medal from the Prime Minister of Australia.

Professor Basten holds 10,000 ordinary shares and 410,000 options over unissued ordinary shares in the Company.

Jane Craig BA(Hons) MBA PhD MAICD (Chief Operating Officer, member of the Audit and Risk Committee). Age 51.

Dr Craig was appointed a director of the Company in June 2003 and played an active role in its evolution. She has performed a range of operational and advisory roles in both large and small Australian and international public companies. Her experience includes industry and competitor reviews, core capability development, strategic planning, key problem solving skills and leadership skills. Dr Craig has been director of the executive MBA programme at the Australian Graduate School of Management and taught strategy and strategic management at AGSM and Macquarie Graduate School of Management. She is co-author of a top selling management text and of two chapters in the Karpin Report on management education. Dr Craig has also had papers published in refereed journals relating to managing IT and competing globally. She was a national judge in the 2004 Ernst & Young Entrepreneur of the Year Awards.

Dr Craig resigned from the Board on 1st May 2008 and held 114,652 ordinary shares and 3,350,000 options over unissued ordinary shares in the Company, at the time of her resignation.

Bill Moss BEc AM. Age 54.

Bill was appointed as an independent non-executive director of Apollo on 7 March, 2006. He has more than 30 years' experience in the banking and finance industry and is a leading figure in the Australian financial community. He established Macquarie Bank's property business in 1984, and was the Group Head and Chief Executive of Macquarie's banking and property group, until his retirement in February 2007. Macquarie's banking and property group now comprises over 1,600 staff and provides a comprehensive range of specialised banking, mortgage and personal lending, property and financial services worldwide.

Bill resigned from the Board on 3rd October 2007 and held 5,250,000 ordinary shares and 2,650,000 options over unissued ordinary shares in the Company, at the time of his resignation.

Gregory Russell-Jones BSc (Hons) PhD (Scientific Director). Age 55.

Dr Russell-Jones joined Apollo as a senior scientist specialising in immunology and drug delivery systems in September 2005, and was appointed scientific director on 26 May 2006.

He has more than 20 years' experience in pharmaceutical research. He has published more than 50 scientific papers, attracted research grant funding and has been invited to present at many prestigious international conferences.

Dr Russell-Jones is inventor or co-inventor of approximately 40 granted or provisional patents and has participated in national and international collaboration projects with leading pharmaceutical companies including Amgen, CSL, Hoechst and Roche.

Dr Russell-Jones resigned from the Board on 19 July 2007 and held 2,050,000 options over unissued ordinary shares at the time of his resignation.

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Company Secretary

Peter Harris was appointed Company Secretary on 2nd May 2008 and held the position at the end of the financial year. Peter is a chartered accountant and has extensive experience as a management consultant, particularly in the field of business process re-engineering and cost reconstruction.

Tim Blackwell served as Company Secretary and Chief Financial Officer until his resignation on 31st March 2008.

Dr Jane Craig also served as Company Secretary from 1st April to 1st May 2008.

Directorships of other listed companies

Name	Company	Period of directorship
Anthony Basten	Biotech Capital Ltd	Since 2002 (non-executive)

Former Partner of the Audit Firm

There was no partner or former partner of the audit firm who was an officer of the Company at any time during the year.

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this director's report on pages 9 to 16.

Principal Activities

The principal activities of the consolidated entity during the year were the progression of the entity's three platforms, human cell expressed proteins (hcx™), transdermal delivery technology (Intradel™) and oral delivery technology (Oradel™) and clinical and other applications for these platforms.

Following the initiation of the restructuring strategy, as described below, the principal activities have been more closely focussed around the progression of licensing possibilities of its core technologies including for the near-term revenue generation through fee-for-service feasibility studies. These activities are detailed further below.

Changes in State of Affairs

Apollo Life Sciences Limited initiated a restructuring strategy in mid March 2008 in response to the absence of obtaining committed investor finance and the continuing unstable financial market climate. The strategy was aimed to enhance opportunities to obtain best return on shareholders' investment by allowing time to realise value for the Company's core intellectual property relating to oral and topical delivery of protein-based therapeutics.

The strategy comprises a three stage process of restructuring, consolidation and value-creation, and is proceeding in line with the timeframe previously notified to the ASX. As scheduled, the restructuring phase, which included cost cutting and the orderly realisation of non-core assets has in the most part been completed as scheduled by 30 June 2008.

The restructure phase has provided resources for retirement of borrowings (finance leases) and funding of the Company's existing operations through that process. Cost cutting measures included significant staff reductions, the elimination of all non-essential expenditure and reduction of overheads. Realisation of assets included the sale of non-core assets such as surplus laboratory plant and equipment, consumables and office

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Directors' Report

items as well as certain assets related to the research proteins business, and the realisation of certain statutory refunds. In addition, an agreement relating to the research proteins business was concluded, with Symansis (NZ) Limited. The agreement provided a consideration of $500,000 for the sale of non-core assets including inventories, marketing materials and trademarks and for licensing of know how to allow Symansis to continue to manufacture proteins for sale as research reagents. The research reagents business is shown as a discontinued operation to the financial statements (see Note 24).

Throughout the restructure period, the Company continued optimisation of the oral and topical delivery platforms and continued to explore opportunities for licensing and collaboration with large pharmaceutical companies. The Company is engaged in preliminary discussions with several large pharmaceutical companies for feasibility studies using one of their molecules in one of Apollo's oral or topical delivery platforms.

The restructure preserved the Company's intellectual property and three platforms for the development of novel therapeutic candidates – the library of over 100 human cell expressed proteins, including exclusive rights to manufacture and develop them for therapeutics, and oral and topical delivery technologies.

The next step, commenced in July 2008, is the consolidation of the Company's operations further and focusing on its core activities. These include the oral and topical delivery technologies for large water soluble molecules such as proteins and antibodies and advancing clinical therapeutic candidates including a topical and oral TNF blocker and oral insulin.

During the consolidation phase, processes to obtain best possible returns for the Company's core technologies are being established. A wide range of avenues for licensing, partnering, sale or other value creating developments of the Company's IP are being considered. Shareholder approval will be sought as required.

The Company will continue to pursue the range of actions to generate cash flow, including licensing of its core platform technologies for a range of specific applications, seeking additional shareholder funds and possible sale or licensing of the OTC business.

On 30 September 2008, the Company entered into a loan agreement with Mr John Priest, a director of the company, the details of which are outlined under the heading of "subsequent events" below.

During the financial period, there was no other significant change in the state of affairs of the consolidated entity other than that referred to above and in the financial statements or notes thereto.

Results

The results for the year ended 30 June 2008 reflect a loss after tax of $8,222,672 compared to a loss after tax of $10,060,973 for the same period last year. Patent expenditure for the period was $777,314 (2007: $335,169) as the consolidated entity advanced its patents (National phase and Patent Cooperation Treaty filings) in numerous jurisdictions world-wide, an activity which significantly strengthened its patent position in relation to its three key technology platforms. A non-cash expense relating to share based payments of $866,163 (2007: $751,377) was recorded in the results for the period and included amounts relating to directors who resigned during the period. Raw materials and consumable costs were reduced to $685,337 (2007: $1,866,894) following a consolidation and rationalisation of consumable purchasing. Employee benefit expenses were reduced to $4,151,849 (2007: $4,703,555). The net financial result from the cost reductions and realisation of assets will be reflected in the 2008/09 financial year. Revenue, including other income, for the consolidated entity's continuing operations during the year ended 30 June 2008 was $482,415 compared to $397,703 for the same period last year. This increase was largely driven by the initial sale of over-the-counter products in Australia in December 2007. Interest income compared to the same period last year was lower as a result of lower average cash balances being maintained through the period.

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Subsequent Events

On 30 September 2008, the Company entered into a loan agreement with Mr John Priest, a director of the Company, to raise debt funding of $2 million. The main purpose of the loan will be to provide working capital and to enable the Company to progress licensing possibilities for its core technologies. This will include exploring opportunities for near-term revenue generation within the licensing strategy, including the possibility of fee-for-service feasibility studies with potential licensing partners.

There has not been any matter or circumstance, other than that referred to above and in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

In the next financial year, the consolidated entity will continue to pursue its principal activities and restructuring strategies. Other than this, the directors believe that disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Share Options on Issue at Year End or Exercised During the Year

Details of unissued ordinary shares under option at the date of this report are:

Issuing entity	Number of Shares Under Option	Class of Shares	Exercise Price of Option	Expiry Date of Options
Apollo Life Sciences Limited	24,455,650	Ordinary	40c	29/01/09
Apollo Life Sciences Limited	1,000,000	Ordinary	65c	07/03/09
Apollo Life Sciences Limited	400,000	Ordinary	55c	01/03/10
Apollo Life Sciences Limited	600,000	Ordinary	55c	20/05/10
Apollo Life Sciences Limited	200,000	Ordinary	65c	01/03/11
Apollo Life Sciences Limited	2,000,000	Ordinary	65c	20/05/11
Apollo Life Sciences Limited	50,000	Ordinary	65c	24/11/11
Apollo Life Sciences Limited	6,600,000	Ordinary	50c	01/02/12
	35,305,650			

The holders of such options do not have the right, by virtue of the option, to participate in any share issue of any other body corporate.

No shares were issued during the financial year as a result of the exercise of an option.

Dividends

The directors resolved that no dividend be paid for the year. No dividends were paid in the previous financial year.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring all the directors and officers of the consolidated entity against liabilities incurred in their capacities as directors to the extent permitted by the Corporations Act 2001.

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Disclosure of the nature of the liability and the amount of the premium is prohibited by a confidentiality clause in the contract of insurance.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or an auditor of the Company or of any related body corporate against a liability incurred as such officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, fifteen board meetings, no remuneration committee meetings and two audit committee meetings were held. The remuneration committee matters were covered as necessary in the Board meetings.

	Board of Directors		Remuneration Committee		Audit Committee	
Directors	**Held***	**Attended**	**Held***	**Attended**	**Held***	**Attended**
John Priest	15	15	-	-	-	-
Jane Craig	13	12	-	-	2	2
Greg Russell-Jones	-	-	-	-	-	-
Paul Murnane	15	15	-	-	2	2
Tony Basten	15	15	-	-	2	2
Bill Moss	2	1	-	-	-	-

* number of meetings held whilst director in office

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 6 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principals relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 17 of the financial statements.

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Remuneration Report

This remuneration report, which forms part of the directors report sets out information about the remuneration of Apollo Life Sciences Limited's directors and key management personnel for the financial year ended 30 June 2008. The prescribed details for each person covered by this report are set out below.

Director and Executive Details

The directors of Apollo Life Sciences Limited during the year were:

- Mr J. Priest (Chairman, Chief Executive Officer)
- Dr J. Craig (Chief Operating Officer) resigned 1 May 2008
- Mr P. Murnane (Non-executive Director)
- Prof. A. Basten (Non-executive Director)
- Mr W. Moss (Non-executive Director) resigned 3 October 2007
- Dr G. Russell-Jones (Scientific Director) resigned 19 July 2007

The term ”key management personnel” is used in this remuneration report to refer to the following persons employed by the consolidated entity. Except as noted, the named persons held their current position for the whole of the financial period and since the end of the financial year.

- Dr G. Dixon (Intellectual Property Manager) terminated 16 April 2008
- Ms L. Daly (Director of Sales and Business Development) terminated 29 February 2008
- Mr N. Cakovski (General Manager, OTC and Cosmetics) terminated 9 April 2008
- Mr G. Pilkington (VP Protein Development) resigned 14 December 2007
- Mr T. Blackwell (Chief Financial Officer and Company Secretary) resigned 31 March 2008.
- Dr V. Midgley (Business Relations Director)

Remuneration Policy for Directors and Executives

The Remuneration Committee reviews the remuneration packages of the directors and key management personnel of the Company and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to the duties, responsibilities and performance of each director and senior executive, and current market rates.

Remuneration and other terms of employment are reviewed periodically based on each director's or senior executive's performance and achievements over the review period.

Non-executive Directors

Fees paid to non-executive directors are set to reflect the demands made on the directors and their individual responsibilities. The level of fees was reviewed by the Board in May 2005 against market data and with reference to the maximum amount approved under s 6.5 (a) of the Company's Constitution. The maximum annual non-executive directors' fees payable in aggregate is $200,000.

No additional fees are payable to members of any of the Board's committees.

Executive & non-executive directors may receive share options under the Employee Share Option Plan.

Retirement Benefits

The Company does not have a retirement benefit scheme for non-executive directors.

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Key management personnel and other employees are given the option to choose their own superannuation fund for employer contributions.

Base Pay

Base pay is calculated on the basis of a total employment cost package which may be provided as a mix of cash and prescribed non-cash benefits at the executive's discretion. Base pay is reviewed periodically to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases in any senior executive's contracts.

Short-Term Incentives

The Board may occasionally offer separate short-term incentives to key management personnel to ensure that key employees remain outcome-oriented. Incentives are set based on defined performance targets, usually on a project-based scenario. Using such targets ensures bonuses are only paid when value has been created for shareholders and when results are consistent with the strategic plans of the business.

Long-Term Incentives

The Company provides long-term incentives to directors, executives and employees in the form of share options in the Company. These incentives are designed to align the interests of shareholders, directors, executives and employees. Issues can be made by shareholder resolution or under the Company's Employee Share Option Plan (ESOP). Under the ESOP, executives and other staff may be invited by the Board to subscribe for share options in the Company. Once approved by the Board, the options are issued in the name of the participants but are subject to a restriction on exercise for periods of up to three years (from date of issue) reflecting the period of service to be provided to the Company.

Relationship between the remuneration policy and company performance

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2008.

	30 June 2008 $	30 June 2007 $	30 June 2006 $	30 June 2005 $	30 June 2004 $
Revenue	1,151,794	530,986	426,349	178,376	63,007
Loss attributable to members of the parent entity	8,222,672	10,060,973	6,884,846	3,913,569	2,348,564
Share price at start of year	$0.26	$0.37	$1.01	(i)	(i)
Share price at end of year (ii)	$0.04	$0.26	$0.37	$1.01	(i)
Dividends	-	-	-	-	-
Basic earnings per share (cents)	(4.3)	(5.9)	(4.5)	(2.9)	(2.6)
Fully diluted earnings per share (cents)	(4.3)	(5.9)	(4.5)	(2.9)	(2.6)

(i) Shares first listed on ASX on 29 June 2005

(ii) Shares suspended from quotation on 18 March 2008 and remain suspended at the date of this report

Given the nature and early stage of its business, the Company has not judged performance by financial measures but by scientific advancement such as progressing patents and development of its core technology platforms.

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Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

(a) Primary benefits – salary, fees and bonuses;
(b) Post-employment benefits – including superannuation;
(c) Equity – share options granted under the ESOP or by shareholder resolution as disclosed in note 5 to the financial statements; and
(d) Other benefits.

The following table discloses the remuneration of the directors of the Company and key management personnel of the consolidated entity:

	Short-term Employee Benefits			Post Employment benefit	Share based payments		% of compensation for the year consisting of options
	Salary & Fees	Bonus	Non-monetary	Superannuation	options & rights	Total	
2008	$	$	$	$	$	$	
Non-executive directors							
J. Priest	136,733	-	37,318	12,306	204,000	390,357	52.3%
J. Craig*	134,831	-	15,430	12,054	382,225	544,540	70. 2%
P. Murnane	36,462	-	-	3,282	20,400	60,144	33.9%
A. Basten	36,462	-	-	3,282	20,400	60,144	33.9%
B. Moss*	9,174	-	-	825	49,086	59,085	83.1%
G. Russell-Jones*	34,998	-	3,131	2,096	323,047	363,272	88.9%
Key management personnel							
T.Blackwell*	113,518	-	-	8,428	-	121,946	-
L.Daly*	94,883	-	13,052	7,200	-	115,135	-
G.Dixon*	80,922	10,000(i)	-	7,677	(16,195)	82,404	-
N.Cakovski*	98,446	-	14,908	8,001	-	121,355	-
G.Pilkington*	45,610	-	-	3,277	-	48,887	-
V.Midgley	80,634	-	-	-	-	80,634	-
Total	895,078	10,000	83,839	76,023	982,963	2,047,903	

* resigned or terminated during the year
(i) Bonus awarded as cash on 23rd November 2007 for the achievement in meeting milestones with regards to the progress of the Company's patents and intellectual property positions. The criteria were met in full for the first six months and therefore 50% of the total bonus was paid. No further bonus is payable to this employee following termination.

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	Short-term Employee Benefits			Post Employment benefit	Share based payments		% of compensation for the year consisting of options
	Salary & Fees	Bonus	Non-monetary	Superannuation	options & rights	Total	
2007	$	$	$	$	$	$	
Non-executive directors							
J. Priest	108,807	-	32,797	9,793	84,953	236,350	35.9%
J. Craig	116,808	30,000(i)	19,378	10,512	238,009	414,707	57.4%
P. Murnane	36,697	-	-	3,303	33,562	73,562	45.6%
A. Basten	36,697	-	-	3,303	33,562	73,562	45.6%
B. Moss	36,697	-	-	3,303	37,765	77,765	48.6%
G. Russell-Jones	128,807	-	9,739	11,593	68,916	219,055	31.5%
Key management personnel							
T.Blackwell	16,427	-	-	1,253		17,680	
L.Daly	85,539	-	13,243	7,698		106,480	
G.Dixon	88,045	15,000(ii)	-	7,924	7,667	118,636	6.5%
N.Cakovski	60,500	-	9,977	5,445		75,922	
G.Pilkington	20,897	-	-	1,505		22,402	
R. Brown*	47,893	-	-	2,202		50,095	
G.Kaan*	65,463	-	-	5,475		70,938	
Total	849,277	45,000	85,134	73,309	504,434	1,557,154	

***** resigned during the year

(i) Bonus awarded as cash on 11th May 2007 for the achievement of milestones in the development of the human cytokine business. The criteria was met in full and no further bonus is payable to this employee.

(ii) Bonus awarded as cash on 14th June 2007 for the achievement in meeting milestones with regards to the progress of the Company's patents and intellectual property positions. The criteria was met in full and no further bonus is payable to this employee.

Share Options

The Company provides long-term incentives to directors, executives and employees in the form of share options in the Company. These incentives are designed to align the interests of shareholders, directors, executives and employees. Issues can be made by shareholder resolution or under the Company's Employee Share Option Plan (ESOP).

The Employee Share Option Plan (ESOP) entitles the directors to issue share options in the Company to employees selected by the directors. Directors may also receive share options under the ESOP. On acceptance of the offer of options under the scheme, employees (including directors) receive options in the Company. The number of options granted and basis of grant is determined at the discretion of the directors. In accordance with the terms of the ESOP, options may be exercised at any time from the date of their vesting to the date of their expiry. Share options carry no rights to dividends and no voting rights.

Assuming any stipulated performance criteria have been achieved, all options vest on the completion of the defined service period. All options issued under the ESOP lapse on termination of employment, if this is prior to vesting date.

Directors' Report

The following share-based payment arrangements were in existence during the period:

Number	Grant Date	Vest Date	Expiry Date	Exercise Price	Fair Value at Grant Date Per Option
400,000	20/05/05	01/03/07	01/03/10	55c	20c
600,000	20/05/05	20/05/07	20/05/10	55c	21c
2,000,000	20/05/05	20/05/08	20/05/11	65c	20c
3,835,000	20/05/05	20/05/08	20/05/11	55c	23c
890,000	24/11/05	24/11/08	24/11/11	65c	28c
200,000	07/03/06	01/03/08	01/03/11	65c	22c
67,000	30/03/06	01/10/07	01/10/10	60c	25c
133,000	30/03/06	01/10/08	01/10/11	60c	28c
1,450,000	30/03/06	01/03/09	01/03/12	65c	27c
500,000	30/03/06	01/03/09	01/03/12	75c	25c
6,600,000	29/01/07	01/02/09	01/02/12	50c	20c

Share Options Granted to Directors and Executives

During and since the end of the financial year there were no share options granted to the directors and key management personnel of the consolidated entity as part of their remuneration. In 2007, 6,600,000 options were granted to directors following approval of such grants at a general meeting of the Company.

The following grants of share based compensation to directors and key management personnel relate to the current and previous financial year:

	Vested Number	Granted Number	Grant date	Terms and conditions of each grant Value of option at grant date Cents	Exercise price per share Cents	First exercise date	Last exercise date	% of grant forfeited
Directors								
J. Priest	-	2,000,000	29 Jan 2007	20.4	50.0	1 Feb 2009	1 Feb 2012	0%
P. Murnane	200,000	-	20 May 2005	20.0	55.0	1 Mar 2007	1 Mar 2010	0%
	-	200,000	29 Jan 2007	20.4	50.0	1 Feb 2009	1 Feb 2012	0%
A. Basten	200,000	-	20 May 2005	20.0	55.0	1 Mar 2007	1 Mar 2010	0%
	-	200,000	29 Jan 2007	20.4	50.0	1 Feb 2009	1 Feb 2012	0%
J. Craig	300,000	-	20 May 2005	21.0	55.0	20 May 2007	20 May 2010	0%
	1,000,000	-	20 May 2005	20.0	65.0	20 May 2008	20 May 2011	0%
	2,000,000	-	29 Jan 2007	20.4	50.0	1 Feb 2009	1 Feb 2012	0%
W. Moss	200,000	-	7 Mar 2006	25.0	65.0	1 Mar 2008	1 Mar 2011	0%
	200,000	-	29 Jan 2007	20.4	50.0	1 Feb 2009	1 Feb 2012	0%
G. Russell-Jones	2,000,000	-	29 Jan 2007	20.4	50.0	1 Feb 2009	1 Feb 2012	0%
Totals	6,100,000	2,400,000						
Key management personnel								
Gavin Dixon	-	100,000	20 May 2005	23.0	55.0	20 May 2008	20 May 2011	100%
Roy Brown	-	500,000	20 May 2005	23.0	55.0	20 May 2008	20 May 2011	100%
Totals	-	600,000						

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Directors' Report

Dr. Jane Craig, Mr William Moss and Dr Gregory Russell-Jones all resigned from the Company and ceased to hold the office of director during the current year. Options issued to directors do not contain provision for forfeiture on termination of employment or office. Consequently, in accordance with the accounting standards, any remaining option value (not expensed in prior years) has been accounted for in the current year as a deemed non-cash share-based payment. Details of the option terms and share-based payments are shown in the tables above and value will only be realised if a significant increase in share value accrues to the benefit of all shareholders.

Dr Gregory Russell-Jones was also granted 1,500,000 options in a prior year which were being expensed over the vesting period of the options in accordance with the provisions of the ESOP and the accounting standards. As Dr Gregory Russell-Jones left the Company during the current year, these options lapsed. The probability of the options vesting had been assessed as zero as at 30 June 2007 and therefore the amounts expensed in relation to these options in previous years were reversed against his remuneration in the prior year.

Gavin Dixon's employment was terminated during the current year, as part of the restructuring process. Accordingly, under the terms of the ESOP, his options lapsed at the time of his departure from the Company. Further, the cumulative value of the lapsed options reverses in the current year.

Roy Brown resigned during the prior year. Accordingly, under the terms of the ESOP, his options lapsed at the time of his departure from the Company. The cumulative value of the lapsed options reversed in the prior year.

Options were also issued to directors, in the prior year, as part of a private equity placement, in which all directors, along with other investors, subscribed to the issue of new ordinary shares in the Company. These latter options were not issued as part of the directors' remuneration and are not included in the disclosure in regard to directors' remuneration.

Service Agreements

Remuneration and other terms of employment for the directors and key management personnel are formalised in service agreements. The major provisions of the agreements are:

Mr. J. Priest, Chairman, Chief Executive Officer

- Permanent, three year fixed term expired 20 May 2008, rolling forward on no fixed term.
- Base salary and superannuation to be reviewed annually by the Board.
- Currently no bonus element attached to package.
- Two month notice period for both parties.
- Payment of termination benefits on cessation of employment, calculated based on statutory entitlements and any bonus due on achievement of agreed KPIs.

Dr. J. Craig, Chief Operating Officer

- Permanent, three year fixed term expiring 20 May 2008, renewable by mutual agreement. Dr Craig resigned on 1st May 2008.
- Base salary and superannuation to be reviewed periodically by the Board.
- Bonus payable based on achievement of development milestones.
- Two month notice period for both parties.
- Payment of termination benefits on cessation of employment, calculated based on statutory entitlements and any bonus due on achievement of agreed KPIs. Termination benefits paid were limited to statutory entitlements and no bonus element of remuneration was paid.

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Directors' Report

Dr. G. Russell-Jones, Scientific Director

- Permanent, five year fixed term expiring 1 March 2011, renewable by mutual agreement. Dr Russell-Jones resigned on 19th July 2007.
- Base salary and superannuation to be reviewed periodically by the Board.
- Currently no bonus element attached to package.
- Two month notice period for both parties.
- Payment of termination benefits on cessation of employment, calculated based on statutory entitlements and any bonus due on achievement of agreed KPIs. Termination benefits paid were limited to statutory entitlements.

Mr T. Blackwell, Company Secretary, Chief Financial Officer,

- Permanent employee, no fixed term. Resigned 31st March 2008.
- Base salary and superannuation to be reviewed annually by the Chief Executive Officer.
- Bonus payable based on achievement of management milestones.
- One month notice period for both parties.
- Payment of termination benefits on cessation of employment, calculated based on statutory entitlements and any bonus due on achievement of agreed KPIs. Termination benefits paid were limited to statutory entitlements and no bonus element of remuneration was paid.

Mrs L.Daly, Director of Sales and Business Development

- Permanent employee, no fixed term. Employment terminated 29th February 2008.
- Base salary and superannuation to be reviewed annually by the Chief Executive Officer and Chief Operating Officer.
- Bonus payable based on achievement of marketing milestones.
- One month notice period for both parties.
- Payment of termination benefits on cessation of employment, calculated based on statutory entitlements and any bonus due on achievement of agreed KPIs. Termination benefits paid were limited to statutory entitlements and no bonus element of remuneration was paid.

Mr G.Dixon, Intellectual Property Manager

- Permanent employee, no fixed term. Employment terminated 16th April 2008.
- Base salary and superannuation to be reviewed annually by the Chief Executive Officer and Chief Operating Officer.
- Bonus payable based on achievement of marketing milestones.
- One month notice period for both parties.
- Payment of termination benefits on cessation of employment, calculated based on statutory entitlements and any bonus due on achievement of agreed KPIs. Termination benefits paid were limited to statutory entitlements and no bonus element of remuneration was paid.

Mr N.Cakovski, General Manager, OTC and Cosmetics

- Permanent employee, no fixed term. Employment terminated 9th April 2008.
- Base salary and superannuation to be reviewed annually by the Chief Executive Officer and Chief Operating Officer.
- Bonus payable based on achievement of marketing milestones.
- One month notice period for both parties.
- Payment of termination benefits on cessation of employment, calculated based on statutory entitlements and any bonus due on achievement of agreed KPIs. Termination benefits paid were limited to statutory entitlements and no bonus element of remuneration was paid.

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Directors' Report

Mr G.Pilkington, VP Protein Development

- Permanent employee, no fixed term. Resigned 14th December 2007.
- Base salary and superannuation to be reviewed annually by the Chief Executive Officer and Chief Operating Officer.
- Bonus payable based on achievement of marketing milestones.
- One month notice period for both parties.
- Payment of termination benefits on cessation of employment, calculated based on statutory entitlements and any bonus due on achievement of agreed KPIs. Termination benefits paid were limited to statutory entitlements and no bonus element of remuneration was paid.

Ms Valerie Midgely, Business Relations Director

- US based employee, no fixed term.
- Base remuneration, reviewed annually by the Chief Executive Officer.
- two week notice period for both parties.

Mr P. Murnane, Non-executive Director

- Appointed by the shareholder vote.
- Directors' fees to be reviewed annually by the Board.

Professor A. Basten, Non-executive Director

- Appointed by shareholder vote.
- Directors' fees to be reviewed annually by the Board.

Mr B. Moss, Non-executive Director

- Appointed by shareholder vote. Resigned 3rd October 2007.
- Directors fees to be reviewed annually by the Board.
- No termination benefits were paid.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

John Priest
Director
Sydney, 30th September 2008

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Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

30 September 2008
The Board of Directors
Apollo Life Sciences Limited
Level 1
147 Queen Street
Beaconsfield
NSW 2015

Dear Board Members

Apollo Life Sciences Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Apollo Life Sciences Limited.

As lead audit partner for the audit of the financial statements of Apollo Life Sciences Limited for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Catherine Hill

Catherine Hill
Partner
Chartered Accountants

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Member of
Deloitte Touche Tohmatsu

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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Independent Auditor's Report to the Members of Apollo Life Sciences Limited

Report on the Financial Report

We have audited the accompanying financial report of Apollo Life Sciences Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 as set out on pages 20 to 56.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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.

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Member of
Deloitte Touche Tohmatsu

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

Auditor's Independence Declaration

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

Auditor's Opinion

(a) the financial report of Apollo Life Sciences Limited is in accordance with the *Corporations Act 2001*, including:
    (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that, as at 30 June 2008 the consolidated entity had net current assets of $252,310 (Company: $34,342), total equity of $516,724 (Company: $516,724), incurred a net loss after tax of $8,222,672 (Company: $8,222,672) and net cash outflows of $8,444,053 (Company $8,444,053) for the year ended 30 June 2008.

These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and consolidated entity's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 16 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Apollo Life Sciences Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Catherine Hill

Catherine Hill
Partner
Chartered Accountants
Sydney, 30 September 2008

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Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and of the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

John Priest
Director
Sydney, 30 September 2008

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Income Statement for the Financial Year Ended 30 June 2008

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
Continuing Operations:					
Revenue	2	122,208	-	14,850	-
Other income	2	360,207	397,703	534,013	682,095
Changes in inventory of finished goods and work in progress		(68,143)	-	-	-
Raw materials and consumables used		(685,337)	(1,866,894)	-	-
Depreciation expense	2	(546,709)	(451,679)	-	-
Finance cost expense	2	(123,241)	(90,970)	(123,241)	(90,970)
Employee benefit expense	2	(4,151,849)	(4,703,555)	(1,426,484)	(1,448,452)
Consulting expense		(992,661)	(751,045)	(715,285)	(422,219)
Occupancy expense		(436,092)	(507,952)	-	-
Patent expenditure		(777,314)	(335,169)	(777,314)	(335,169)
Clinical trial costs		(123,647)	(345,743)	-	-
Impairment in value of fixed assets	10	(84,767)	-	-	-
Research costs	22	-	-	(1,332,884)	(1,745,084)
Administrative Services	22	-	-	(546,000)	(360,473)
Allowance against receivables from subsidiary companies	22	-	-	(3,763,961)	(6,256,315)
Other expenses		(814,447)	(784,136)	(396,962)	(406,041)
Loss before income tax benefit from continuing operations		(8,321,792)	(9,439,440)	(8,533,268)	(10,382,628)
Income tax benefit	3	310,596	321,655	310,596	321,655
Loss for the year from continuing operations		(8,011,196)	(9,117,785)	(8,222,672)	(10,060,973)
Loss from discontinued operations	24	(211,476)	(943,188)	-	-
Loss for the year		(8,222,672)	(10,060,973)	(8,222,672)	(10,060,973)
Loss attributable to members of the parent entity		(8,222,672)	(10,060,973)	(8,222,672)	(10,060,973)
Earnings per share					
From continuing and discontinued operations:					
Basic (cents per share)	20	(4.3)	(5.9)		
Diluted (cents per share)	20	(4.3)	(5.9)		
From continuing operations:					
Basic (cents per share)	20	(4.2)	(5.4)		
Diluted (cents per share)	20	(4.2)	(5.4)		

Notes to the financial statements are included on pages 25 to 56.

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Balance Sheet as at 30 June 2008

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
Current assets					
Cash and cash equivalents	26	237,129	8,681,182	237,129	8,681,182
Trade and other receivables	7	439,870	657,417	962,685	944,033
Inventories	8	160,702	221,701	-	-
Prepaid Assets		24,347	51,072	13,096	11,600
Total current assets		862,048	9,611,372	1,212,910	9,636,815
Non-current assets					
Investments	9	-	-	516,724	847,247
Property, plant and equipment	10	298,756	821,777	-	-
Total non-current assets		298,756	821,777	516,724	847,247
Total assets		1,160,804	10,433,149	1,729,634	10,484,062
Current liabilities					
Trade and other payables	11	574,941	1,302,392	1,148,026	1,463,968
Borrowings	12	-	79,462	-	79,462
Provisions	13	34,797	139,636	30,542	38,242
Total current liabilities		609,738	1,521,490	1,178,568	1,581,672
Non-current liabilities					
Borrowings	14	-	937,019	-	937,019
Provisions	15	34,342	101,407	34,342	92,138
Total non-current liabilities		34,342	1,038,426	34,342	1,029,157
Total liabilities		644,080	2,559,916	1,212,910	2,610,829
Net assets		516,724	7,873,233	516,724	7,873,233
Equity					
Issued capital	17	31,233,709	31,233,709	31,233,709	31,233,709
Reserves	19	1,871,655	1,005,492	1,871,655	1,005,492
Accumulated losses	18	(32,588,640)	(24,365,968)	(32,588,640)	(24,365,968)
Total equity		516,724	7,873,233	516,724	7,873,233

Notes to the financial statements are included on pages 25 to 56.

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Statement of Recognised Income and Expense for the Financial Year Ended 30 June 2008

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Net expense recognised directly in equity	-	-	-	-
Loss for the year	(8,222,672)	(10,060,973)	(8,222,672)	(10,060,973)
Total recognised income and expense for the year	(8,222,672)	(10,060,973)	(8,222,672)	(10,060,973)

Notes to the financial statements are included on pages 25 to 56.

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Cash Flow Statement for the Financial Year Ended 30 June 2008

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
Cash flows used in operating activities					
Proceeds from customers		313,827	133,283	14,850	-
Payments to suppliers and employees		(8,804,874)	(9,021,666)	(8,057,538)	(9,256,270)
Proceeds from disposal of stock in trade and fees for licensing		500,000	-	-	-
Interest and other costs of finance paid	2	(125,969)	(90,970)	(125,969)	(90,970)
Interest income		351,140	322,167	351,140	322,167
Other income received		68,290	75,536	68,290	75,536
Income tax rebate	3	321,655	-	321,655	-
Net cash used in operating activities	26	(7,375,931)	(8,581,650)	(7,427,572)	(8,949,537)
Cash flows used in investing activities					
Payment for property, plant and equipment		(238,241)	(367,887)	-	-
Proceeds from the disposal of property,plant & equipment		186,600	-	-	-
Net cash used in investing activities		(51,641)	(367,887)	-	-
Cash flows (used in)/from financing activities					
Proceeds from issue of equity securities	17	-	13,612,112	-	13,612,112
Payment for share issue costs	17	-	(1,098,587)	-	(1,098,587)
Proceeds from sale and lease back		151,608	126,853	151,608	126,853
Repayment of finance lease		(1,168,089)	-	(1,168,089)	-
Net cash (used in)/provided by financing activities		(1,016,481)	12,640,378	(1,016,481)	12,640,378
Net (decrease)/increase in cash and cash equivalents		(8,444,053)	3,690,841	(8,444,053)	3,690,841
Cash and cash equivalents at the beginning of the financial year	26	8,681,182	4,990,341	8,681,182	4,990,341
Cash and cash equivalents at the end of the financial year	26	237,129	8,681,182	237,129	8,681,182

Notes to the financial statements are included on pages 25 to 56.

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

1. Summary of Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity and the financial statements and notes of the parent entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2008.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impact on the Group's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'
- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'
- AASB 2007-7 'Amendments to Australian Accounting Standards'
- AASB 2008-4 'Amendments to Australian Accounting Standards – Key Management Personnel Disclosures by Disclosing Entities'

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective. Initial application of the following Standards, which are expected to be applied in the financial year ending 30 June 2010, will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

AASB 101 "Presentation of Financial Statements (revised September 2007), AASB 2007-8 "Amendments to Australian Accounting Standards arising from AASB 101"	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 8 "Operating Segments" and AASB 2007-3 "Amendments to Australian Accounting Standards arising from AASB 8"	Effective for annual reporting periods beginning on or after 1 January 2009

Initial application of the following Standards and Interpretations, which are expected to be initially applied in the financial year ending 30 June 2010 unless otherwise stated; the potential impact of these on the financial report of the Group and the company has not been fully determined:

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

Adoption of new and revised Accounting Standards (cont'd)

AASB Interpretation 12 "Service Concession Arrangements', AASB Interpretation 4, 'Determining whether an Arrangement contains a Lease' (revised), AASB Interpretation 129 'Service Concession Arrangements: Disclosure' (revised), AASB 2007-2 'Amendments to Australian Accounting Standards arising from Interpretation 12'	Effective for annual reporting periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	Effective for annual reporting periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
AASB Interpretation 13 'Customer Loyalty Programmes'	Effective for annual reporting periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 "Amendments to Australian Accounting Standards arising from AASB 123'	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 "Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 effective for business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009. AASB 127 and AASB 2008-3 effective for annual reporting periods beginning on or after 1 July 2009.
AASB 2008-1 'Amendments to Australian Accounting Standards– Share Based Payments: Vesting Conditions and Cancellations'	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 2008-2 "Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	Effective for annual reporting periods beginning on or after 1 January 2009
AASB Interpretation 15 "Agreements for the Construction of Real Estate'	Effective for annual reporting periods beginning on or after 1 January 2009
AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	Effective for annual reporting periods beginning on or after 1 October 2008
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Effective for annual reporting periods beginning on or after 1 July 2009
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	Effective for annual reporting periods beginning on or after 1 July 2009

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Basis of Preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Going Concern

The financial report has been prepared on the basis that the Company and the consolidated entity are going concerns which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As disclosed elsewhere in this financial report, as at 30 June 2008 the consolidated entity had net current assets of $252,310 (Company: $34,342), total equity of $516,724 (Company: $516,724), a net loss after tax of $8,222,672 (Company: $8,222,672) and net cash outflows of $8,444,053 (Company $8,444,053) for the year ended 30 June 2008.

As discussed in note 23: Subsequent Events, the Company has entered into a loan agreement with Mr John Priest, a director of the company, to raise debt funding of up to $2,000,000, with the loan being repayable at call, at an interest rate of 22.5% with interest being capitalised on a monthly basis. This loan is funded by a back to back loan from an external party to Mr Priest, with the following key terms:

- Interest rate of 22.5%, rising to 24.5% in the event of Default;
- Interest is capitalised on a monthly basis and may be paid along with the principal amount on or before the repayment date, which is 30 September 2009;
- The Company is required to issue 3,000,000 options over unissued shares in the Company to the external third party lender prior to the first drawdown of the loan to Mr Priest;
- The Company is required to use its best endeavours to achieve a rights issue by April 2009; and
- The loan will be drawn down as required to fund working capital requirements of the Company and the consolidated entity.

At the same time, processes to obtain the best possible returns for the Company's core technologies are being pursued. A wide range of avenues for licensing, partnering, sale or other value creating development of the Company's intellectual property are being considered.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008

Going Concern (cont'd)

The Company will continue to pursue a range of actions to generate cash inflows and manage cash outflows including:

- Licensing of its core platform technologies for a range of specific applications;
- Seeking additional shareholder funds;
- Possible sale or licensing of the OTC ("over the counter") skincare business; and
- Continuing to tightly control costs.

At the date of this report and having considered the above factors, the directors are confident that the company and the consolidated entity will be able to continue as going concerns. Notwithstanding this, there is significant uncertainty whether the company and the consolidated entity will continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and investments in money market instruments.

(b) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

During a prior year the consolidated entity introduced Superannuation Choice to employees. This followed the Federal legislation whereby employees are given the freedom to choose their own superannuation fund for employer contributions.

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(b) Employee Benefits (cont'd)

Until the introduction of Superannuation Choice, the consolidated entity participated in the MLC Employee Retirement Plan, which is a defined contribution plan. The plan provided benefits to employees on retirement, resignation, disability or death. Employees are eligible to contribute to the plan at various percentages of their salaries and wages. The plan complied with all the requirements of the Insurance and Superannuation Commission at all times.

Contributions to defined contribution superannuation plans are expensed when incurred.

(c) Financial Instruments Issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(d) Financial Assets

Investments in subsidiaries are initially measured at cost, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements.

Trade receivables, loans, and other receivables are measured at fair value plus transaction costs upon initial recognition and are subsequently measured at amortised cost less impairment.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

(e) Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

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(f) Goods and Services Tax (cont'd)

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or 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 taxation authority is classified as operating cash flows.

(g) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Income Tax

Current Tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

(h) Income Tax (cont'd)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and jointly controlled entities except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

Tax Consolidation
The Company and all its wholly-owned Australian resident entities (with the exception of ACN 003759144 Pty Ltd) are part of a tax-consolidated group under Australian taxation law. Apollo Life Sciences Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax consolidated group).

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(h) Income Tax (cont'd)

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(i) Research and Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use it or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(k) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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(k) Leased Assets (cont'd)

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(l) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 16 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.
The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(m) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value at the date of acquisition.

Depreciation is provided on laboratory plant, equipment and furniture. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

(n) Property, Plant and Equipment (cont'd)

The following estimated useful lives are used in the calculation of depreciation:

Office and laboratory equipment	3 years
Office and laboratory furniture and fittings	3 years
Laboratory equipment under finance lease	3 years

(o) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue Recognition

Sale of Goods
Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest Revenue
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Share-based Payments

All equity-settled share-based payments are measured at fair value at the date of grant. Fair value is derived using a statistical option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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.

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

2. Loss from Operations

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(a) Revenue				
Revenue from continuing operations consisted of the following items:				
Revenue from the sale of goods	122,208	-	14,850	-
Management Fees	-	-	40,225	149,808
Other income	68,290	75,536	68,290	75,536
Licence Fees	-	-	5,078	3,998
Interest income (related entities)	-	-	128,503	130,586
Interest income (bank deposits)	291,917	322,167	291,917	322,167
	360,207	397,703	534,013	682,095
	482,415	397,703	548,863	682,095
Discontinued operations				
Revenue from the sale of goods	169,379	133,283	-	-
Sale of inventories on disposal of business and licensing fees	500,000	-	-	-
	669,379	133,283	-	-
	1,151,794	530,986	548,863	682,095
(b) Loss before income tax				
Loss before income tax has been arrived at after charging the following expenses:				
Continuing Operations:				
Finance costs:				
Finance lease interest	115,385	72,382	115,385	72,382
Other interest	7,856	18,588	7,856	18,588
	123,241	90,970	123,241	90,970
Depreciation of non-current assets:				
Leased laboratory equipment	350,417	330,883	-	-
Office plant, furniture and fittings	196,292	120,796	-	-
	546,709	451,679	-	-
Operating lease rental expenses:				
Minimum lease payments	424,222	368,713	-	-
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	241,900	371,081	44,660	130,654
Other employee benefits	3,043,786	3,581,097	515,661	566,421
	3,285,686	3,952,178	560,321	697,075
Share based payments:				
Equity settled share based payments	866,163	751,377	866,163	751,377
	4,151,849	4,703,555	1,426,484	1,448,452

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

2. Loss from Operations (cont'd)

Discontinued Operations:				
Depreciation of non-current assets:				
Leased laboratory equipment	-	-	-	-
Office plant, furniture and fittings	2,493	2,146	-	-
	2,493	2,146	-	-
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	19,733	33,769	-	-
Other employee benefits	349,727	550,055	-	-
	369,460	583,824	-	-
Share based payments:				
Equity settled share based payments	-	-	-	-
	369,460	583,824	-	-
Gain recognised on the disposal of the discontinued operations:	223,905	-	-	-

3. Income Taxes

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
(a) Income tax benefit recognised in loss				
Tax income comprises:				
S7B research and development expenditure rebate	310,596	321,655	310,596	321,655
Total tax benefit	310,596	321,655	310,596	321,655
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:				
Loss from operations	(8,533,268)	(10,382,628)	(8,533,268)	(10,382,628)
Income tax benefit calculated at 30%	2,559,980	3,114,788	2,559,980	3,114,788
Non-deductible expenses	(351,635)	(225,413)	(351,635)	(225,413)
Unused tax losses and tax offsets not recognised as deferred tax assets	(1,641,695)	(2,883,409)	(1,041,643)	(1,006,514)
Adjustments recognised in the current year in relation to the current tax of prior year	(529,136)	-	-	-

3. Income Taxes (cont'd)

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Temporary differences not brought to account	(37,514)	(5,966)	(1,166,702)	(1,882,861)
S7B research and development expenditure rebate	310,596	321,655	310,596	321,655
	310,596	321,655	310,596	321,655

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised Deferred Tax Balances

As at 30 June 2008 the Company and consolidated entity had deferred tax assets not brought to account in relation to the tax losses (at 30%) of $8,506,127 (2007: $6,864,432), and temporary differences (at 30%) not brought to account of $38,714 (2007: $76,228). No reliable estimate of the amount of tax losses which could be recognised as a deferred tax asset in the current year is available as it is not possible to accurately quantify the group's future profitability at its current stage of development. Management therefore believe that the group's tax losses do not meet the probable recognition criteria.

There is no expiry date attached to the tax losses.

The consolidated entity did not have any capital tax losses carried forward.

Tax Consolidation

Relevance of Tax Consolidation to the Consolidated Entity

The Company and its wholly-owned Australian resident entities (with the exception of ACN 003759144 Pty Ltd) have formed a tax-consolidated group with effect from 1 March 2006 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Apollo Life Sciences Limited. The members of the tax-consolidated group are identified at note 16.

Nature of Tax Funding Arrangements and Tax Sharing Agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Apollo Life Sciences Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

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4. Key Management Personnel Compensation

(a) Key Management Personnel Compensation Policy

The Remuneration Committee reviews the remuneration packages of the directors and key management personnel of the Company and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to the duties, responsibilities and performance of each director and senior executive, and current market rates.

Remuneration and other terms of employment are reviewed periodically based on each director's or senior executive's performance and achievements over the review period. Performance related remuneration to date has been set by reference to completion of scientific milestones or key projects. No bonus targets have been set based on financial performance.

The aggregate compensation of the key management personnel (as listed in the Remuneration Report on page 10) of the consolidated entity and Company is set out below:

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	988,917	979,411	436,944	556,427
Post-employment benefits	76,023	73,309	41,440	41,807
Share-based payments	982,963	504,434	999,158	496,767
	2,047,903	1,557,154	1,477,542	1,095,001

5. Share-Based Payments

The Company provides long-term incentives to directors, executives and employees in the form of share options in the Company. These incentives are designed to align the interests of shareholders, directors, executives and employees. Issues can be made by shareholder resolution or under the Company's Employee Share Option Plan (ESOP).

The Employee Share Option Plan (ESOP) entitles the directors to issue share options in the Company to employees selected by the directors. Directors may also receive share options under the ESOP. On acceptance of the offer of options under the scheme, employees (including directors) receive options in the Company. The number of options granted and basis of grant is determined at the discretion of the directors. In accordance with the terms of the ESOP, options may be exercised at any time from the date of their vesting to the date of their expiry. Share options carry no rights to dividends and no voting rights.

Assuming any stipulated performance criteria have been achieved, all options vest on the completion of the defined service period. All options issued under the ESOP lapse on termination of employment, if this is prior to vesting date.

The following share-based payment arrangements were in existence during the period:

Notes to the Financial Statements for the Financial Year Ended 30 June 2008

5. Share-Based Payments (cont'd)

Number	Grant Date	Vest Date	Expiry Date	Exercise Price	Fair Value at Grant Date Per Option
400,000	20/05/05	01/03/07	01/03/10	55c	20c
600,000	20/05/05	20/05/07	20/05/10	55c	21c
2,000,000	20/05/05	20/05/08	20/05/11	65c	20c
3,835,000	20/05/05	20/05/08	20/05/11	55c	23c
890,000	24/11/05	24/11/08	24/11/11	65c	28c
200,000	07/03/06	01/03/08	01/03/11	65c	22c
67,000	30/03/06	01/10/07	01/10/10	60c	25c
133,000	30/03/06	01/10/08	01/10/11	60c	28c
1,450,000	30/03/06	01/03/09	01/03/12	65c	27c
500,000	30/03/06	01/03/09	01/03/12	75c	25c
6,600,000	29/01/07	01/02/09	01/02/12	50c	20c

The weighted average fair value of the share options granted during the financial year is nil (2007: 20.0c). Fair value is derived using a statistical option pricing model. Expected price volatility is based upon a combination of the historical standard deviation of share prices and estimates of future share price movements. The risk free rate adopted in prior years was either the yield on government bonds with a maturity matching the life of the option (at the time of granting) or the Reserve Bank Bill swap rate which did not give a materially different result in determining the risk free rate. Expected price volatility is based upon a combination of the historical standard deviation of share prices and estimates of future share price movements.

All equity-settled share-based payments are measured at fair value at the date of grant. Fair value is derived using a statistical option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The option life is based on the date the option expires.

The table below sets out inputs into the statistical option pricing model:

Number	Grant Date	Option Life (Years)	Grant Date Share Price	Expected Volatility	Exercise Price	Risk Free Interest Rate
400,000	20/05/05	4.8	50c	42%	55c	5.60%
600,000	20/05/05	5.0	50c	42%	55c	5.60%
2,000,000	20/05/05	6.0	50c	42%	65c	5.60%
3,835,000	20/05/05	6.0	50c	42%	55c	5.60%
890,000	24/11/05	6.0	60c	42%	65c	5.70%
200,000	07/03/06	4.9	44c	42%	65c	5.75%
67,000	30/03/06	4.5	59c	42%	60c	5.75%
133,000	30/03/06	5.5	59c	42%	60c	5.75%
1,450,000	30/03/06	5.9	59c	42%	65c	5.75%
500,000	30/03/06	5.9	59c	42%	75c	5.75%
6,600,000	29/01/07	5.0	47c	51%	50c	6.03%

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

5. Share-Based Payments (cont'd)

The following reconciles the outstanding share options granted under the ESOP and to directors at the beginning and end of the financial year:

	2008		2007	
	Number of Options $	Weighted Average Exercise Price	Number of Options $	Weighted Average Exercise Price
Balance at beginning of the financial year	12,930,000	56.51c	8,950,000	60.87c
Granted during the financial year	-	-	6,600,000	50.00c
Exercised during the financial year	-	-	-	-
Lapsed during the financial year	(3,080,000)	64.76c	(2,620,000)	56.47c
Balance at end of the financial year	9,850,000	53.93c	12,930,000	56.51c
Exercisable at the end of the financial year	3,200,000	61.88c	1,000,000	55.00c

The share options outstanding at the end of the financial year have a weighted average remaining contractual life of 1,185 days.

6. Remuneration of Auditors

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Auditor of the parent entity				
Audit or review of the financial report	85,500	72,695	85,500	72,695
Remuneration for other services:				
Taxation services	23,345	31,270	23,345	31,270
Advisory services	53,583	-	53,583	-
	162,428	103,965	162,428	103,965

The auditor of Apollo Life Sciences Limited is Deloitte Touche Tohmatsu.

7. Current Trade and Other Receivables

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Trade receivables	4,788	7,901	-	-
Interest receivable	1,456	64,982	1,456	64,982
S7B research and development expenditure rebate	310,596	321,655	310,596	321,655
GST Receivable	102,707	135,291	102,651	34,183
Amounts owed by controlled entities	-	-	4,297,412	6,654,347
Allowance against receivables from subsidiary companies (see note 22)	-	-	(3,763,961)	(6,256,315)
Other	20,323	127,588	14,531	125,181
	439,870	657,417	962,685	944,033

The average credit period on sale of goods is 45 days. No interest is charged on overdue trade receivables. Amounts for estimated irrecoverable trade receivables arising from past sales are directly written off trade receivables. The Company and consolidated entity will also consider any change in quality of the trade receivable from the date credit was initially granted up to the reporting date.

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

7. Current Trade and Other Receivables (cont'd)

Included in the Group's trade receivable balance are debtors with a carrying amount of $1,198 (2007: $619) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 37 days (2007: 45 days)

8. Current Inventories

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Finished goods (at lower of cost and net realisable value)	160,702	221,701	-	-
	160,702	221,701	-	-

9. Other Non-current Financial Assets

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Shares in controlled entities (at cost or written down value)	-	-	516,724	847,247
	-	-	516,724	847,247

10. Property, Plant and Equipment

Consolidated	Equipment Under Finance Lease at Cost $	Plant, Equipment and Furniture at Cost $	Total $
Gross carrying amount			
Balance at 1 July 2006	961,480	844,754	1,806,234
Additions	63,408	304,479	367,887
Disposals	(7,582)	-	(7,582)
Balance at 1 July 2007	1,017,306	1,149,233	2,166,539
Additions	152,222	86,019	238,241
Reclassification on payout of finance leases	(1,169,528)	1,169,528	-
Disposals	-	(629,750)	(629,750)
Balance at 30 June 2008	-	1,775,030	1,775,030
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2006	(315,097)	(581,000)	(896,097)
Depreciation expense (note 2)	(330,883)	(122,942)	(453,825)
Disposals	5,160	-	5,160
Balance at 1 July 2007	(640,820)	(703,942)	(1,344,762)
Depreciation expense (note 2)	(350,417)	(198,785)	(549,202)
Disposals	-	502,457	502,457
Impairment write-down	-	(84,767)	(84,767)
Reclassification on payout of finance leases	991,237	(991,237)	-
Balance at 30 June 2008	-	(1,476,274)	(1,476,274)

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

10. Property, Plant and Equipment

	Consolidated		
	Equipment Under Finance Lease at Cost $	Plant, Equipment and Furniture at Cost $	Total $
Net book value			
As at 30 June 2007	376,486	445,291	821,777
As at 30 June 2008	-	298,756	298,756

The consolidated entity has made an allowance of $84,767 for the impairment to the value of certain assets which are considered to be surplus to the requirements of its ongoing or planned activities, and which are not expected to realise their written down value as at 30 June 2008.

The Company held no property, plant and equipment during the current and prior financial years.

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
11. Current Trade and Other Payables				
Trade payables	349,878	880,617	187,073	250,540
Accrued liabilities	225,063	421,775	94,087	199,300
Other – controlled entities	-	-	866,866	1,014,128
	574,941	1,302,392	1,148,026	1,463,968

No interest is charged on trade payables and the consolidated entity has management practices in place to ensure that all payables are paid as required.

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
12. Current Borrowings				
Secured:				
Finance lease liabilities (note 21)	-	79,462	-	79,462
	-	79,462	-	79,462
13. Current Provisions				
Employee benefits	34,797	139,636	30,542	38,242
14. Non-current Borrowings				
Secured:				
Finance lease liabilities (note 21)	-	937,019	-	937,019
15. Non-current Provisions				
Employee benefits	7,236	18,937	7,236	9,668
Other	27,106	82,470	27,106	82,470
	34,342	101,407	34,342	92,138

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

16. Subsidiaries

Name of Entity	Country of incorporation	Ownership Interest 2008 %	Ownership Interest 2007 %
Parent Entity			
Apollo Life Sciences Limited (i)	Australia		
Subsidiaries			
Apollo Life Sciences Holdings Pty Ltd (ii) (iii)	Australia	100	100
Apollo Life Sciences Development Pty Ltd (ii) (iv)	Australia	100	100
Apollo Life Sciences Services Pty Ltd (ii) (iii)	Australia	100	100
Apollo Life Sciences Research Pty Ltd (ii) (iii)	Australia	100	100
Apollo Cytokine Research Pty Ltd (ii) (iii)	Australia	100	100
Apollo Applied Science Pty Ltd (ii) (v)	Australia	100	100
Apollo Applied Science, Inc (vi)	USA	100	100
Apollo Cytokine Research Corporation, Inc (vii)	USA	100	100
Apollo Bioceuticals, Inc (viii)	USA	100	100
ACN 003759144 Pty Ltd	Australia	99.9	99.9

(i) Apollo Life Sciences Limited is the head entity within the tax consolidation group.
(ii) These companies are members of the tax consolidated group.
(iii) Incorporated 18 November 2005.
(iv) Incorporated 24 November 2005.
(v) Incorporated 23 November 2006
(vi) Incorporated 25 April 2007
(vii) Incorporated 6 February 2007
(viii) Incorporated 30 March 2007

17. Issued Capital

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
190,769,227 fully paid ordinary shares (2007: 190,769,227)	31,233,709	31,233,709	31,233,709	31,233,709

Fully paid ordinary shares	2008 No.	2008 $	2007 No.	2007 $
Balance at beginning of financial year	190,769,227	31,233,709	157,164,786	18,471,273
Issue of shares in previous year (i)	-	-	25,080,650	9,443,979
Issue of shares in previous year (ii)	-	-	8,333,333	3,241,177
Issue of shares in previous year (iii)	-	-	190,458	77,280
Balance at end of financial year	190,769,227	31,233,709	190,769,227	31,233,709

(i) On 1 February 2007, 25,080,650 new shares were issued at 40 cents per share. The net proceeds of this issue were $9,443,979 after associated issue costs.
(ii) On 7 March 2007, 8,333,333 new shares were issued at 42 cents per share. The net proceeds of this issue were $3,241,177, after associated issue costs.
(iii) On 13 April 2007, 190,458 new shares were issued at 42 cents per share. The net proceeds of this issue were $77,280, after associated issue costs.

Changes to the then Corporations Law abolished the authorised par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

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17. Issued Capital (cont'd)

Share Options

As at 30 June 2008, the directors, executives, and employees held options over 9,850,000 unissued ordinary shares expiring between 1 March 2010 and 1 February 2012. As at 30 June 2007, the directors, executives, and employees held options over 12,930,000 unissued ordinary shares expiring between 1 March 2010 and 1 March 2012.

Employee share options carry no rights to dividends and no voting rights. Further details of the Employee Share Option Plan are contained in note 5 to the financial statements.

As at 30 June 2007, the Company also has 25,455,650 (2007: 29,952,650) share options on issue to investors, expiring between 29 January 2009 and 7 March 2009. These options carry no rights to dividends and no voting rights.

18. Accumulated losses

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Balance at beginning of financial year	(24,365,968)	(14,304,995)	(24,365,968)	(14,304,995)
Net loss attributable to members of the parent entity	(8,222,672)	(10,060,973)	(8,222,672)	(10,060,973)
Balance at end of financial year	(32,588,640)	(24,365,968)	(32,588,640)	(24,365,968)

19. Reserves

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Employee equity-settled benefits	1,871,655	1,005,492	1,871,655	1,005,492
	1,871,655	1,005,492	1,871,655	1,005,492

Employee equity-settled benefits reserve	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Balance at beginning of financial year	1,005,492	254,115	1,005,492	254,115
Share based payments in the year	866,163	751,377	866,163	751,377
Balance at the end of financial year	1,871,655	1,005,492	1,871,655	1,005,492

The employee equity-settled benefits reserve arises on (i) the grant of share options to directors, executives and employees under the Employee Share Option Plan, and (ii) the grant of share options to directors pursuant to approval of the Company's shareholders' in general meeting. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 5 to the financial statements.

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20. Earnings per share

	2008 Cents per Share	2007 Cents per Share
Basic earnings per share		
From continuing operations	(4.2)	(5.4)
From discontinued operations	(0.1)	(0.5)
Total basic earnings per share	(4.3)	(5.9)
Diluted earnings per share		
From continuing operations	(4.2)	(5.4)
From discontinued operations	(0.1)	(0.5)
Total diluted earnings per share	(4.3)	(5.9)

Basic earnings per share
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Consolidated	
	2008 $	2007 $
Earnings used in the calculation of basic EPS	(8,222,672)	(10,060,973)
Adjustments to exclude loss for the year from discontinued operations	211,476	943,188
Earnings used in the calculation of basic EPS from continuing operations	(8,011,196)	(9,117,785)

	2008 No.	2007 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	190,769,227	170,318,133

(a) Earnings used in the calculation of total basic earnings per share and basic earnings per share reconciles to net loss in the income statement as follows:

	Consolidated	
	2008 $	2007 $
Net loss	(8,222,672)	(10,060,973)
Earnings used in the calculation of basic EPS	(8,222,672)	(10,060,973)

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20. Earnings per share (cont'd)

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	Consolidated	
	2008	**2007**
	$	**$**
Earnings used in the calculation of basic EPS	(8,222,672)	(10,060,973)
Adjustments to exclude loss for the year from discontinued operations	211,476	943,188
Earnings used in the calculation of basic EPS from continuing operations	(8,011,196)	(9,117,785)

	2008	**2007**
	No.	**No.**
Weighted average number of ordinary shares for the purposes of diluted earnings per share (a)	190,769,227	170,318,133

(a) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Consolidated	
	2008	**2007**
	No.	**No.**
Weighted average number of ordinary shares used for basic EPS	190,769,227	170,318,133
Employee options	-	-
Weighted average number of ordinary shares used for diluted EPS	190,769,227	170,318,133

The number of options that are not dilutive and not included in the calculation of diluted loss per share is 35,305,650 (2007: 42,882,650)

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

21. Leases

Finance Lease Liabilities

Finance leases relate principally to laboratory equipment with lease terms between four to five years. The consolidated entity had options to purchase the equipment for a residual amount at the conclusion of the lease agreements.

	Minimum Future Lease Payments Consolidated		Present Value of Minimum Future Lease Payments Consolidated	
	2008 $	2007 $	2008 $	2007 $
No later than 1 year	-	85,774	-	79,462
Later than 1 year and not later than 5 years	-	1,031,548	-	937,019
Later than five years				
Minimum lease payments (i)	-	1,117,322	-	1,016,481
Less future finance charges	-	(100,841)	-	-
Present value of minimum lease payments	-	1,016,481	-	1,016,481
Included in the financial statements as:				
Current borrowings (Note 12)			-	79,462
Non-current borrowings (Note 14)			-	937,019
			-	1,016,481

(i) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Term deposits totalling $119,172 have been placed with banks and held by those banks as guarantees in relation to the consolidated entity's premise lease rentals (2007 - $1,186,441, including finance leases).

Operating Leases

Operating leases relate to premises leases for the Company’s laboratories at Beaconsfield and Chatswood. These leases are due to terminate on 31 December 2010 and 25 March 2010 respectively.

	Consolidated	
	2008 $	2007 $
Non-cancellable operating lease payments		
Not longer than 1 year	461,786	316,662
Longer than 1 year and not longer than 5 years	342,463	195,285
	804,249	511,947

In respect of non-cancellable operating leases no liabilities have been recognised in the financial statements.

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22. Related Party Disclosures

(a) Transactions with Subsidiary Companies

The Board has established a series of wholly owned operating subsidiaries for commercial reasons, and some of the expenditure incurred by the consolidated entity has been incurred by these subsidiaries and funded by way of an intercompany loan from the Company. At the year end the Company has determined that an allowance of $3,763,961 (2007: $6,256,315) should be made, in the Company's accounts to write these intercompany loans down to the net assets of the relevant subsidiaries, as it is too early in the research process to attribute any further value to the subsidiaries over and above their net assets.

Amounts receivable from and payable to related parties are disclosed in notes 7 and 11 to the financial statements. All loans advanced to and payable by related parties are unsecured and subordinate to other liabilities. Interest is charged quarterly on related party balances at 6.75% p.a.

During the financial year, the Company, received interest of $128,503 (2007: $130,586) from receivables from related entities.

During the financial year, Apollo Life Sciences Services Pty Limited provided accounting and administration services totalling $529,402 (2007: $341,728) to the Company for $546,000 (2007: $360,473) consideration, priced at an average mark up of 3.04% (2007: 5.2%).

During the financial year, the Company charged amounts for management services totalling $40,225 (2007: $149,808), and licence fees totalling $5,078 (2007: $3,998) to other group entities.

During the financial year, the Company paid research work fees of $1,332,884 (2007: $1,745,084) to Apollo Life Sciences Research Pty Ltd.

(b) Equity Interests in Related Parties

The ordinary shares held in subsidiaries are disclosed in notes 9 and 16 to the financial statements.

(c) Key Management Personnel Compensation

Key management personnel compensation is disclosed in note 4 to the financial statements.

(d) Key Management Personnel Equity Holdings

Fully Paid Ordinary Shares of Apollo Life Sciences Limited

2008	Balance at 01/07/07 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change No.	Balance at 30/06/08 No.	Balance Held Nominally No.
J. Priest	101,968,553	-	-	-	101,968,553	-
J. Craig	114,652	-	-	(114,652)*	-	-
G. Russell-Jones	50,000	-	-	(50,000)*	-	-
P. Murnane	167,300	-	-	-	167,300	-
B. Moss	5,250,000	-	-	(5,250,000)*	-	-
A. Basten	10,000	-	-	-	10,000	-
L. Daly	4,354	-	-	(4,354)*	-	-
N. Cakovski	2,850	-	-	(2,850)*	-	-

* these persons ceased to be key personnel during the current year

22. Related Party Disclosures (cont'd)

2007	Balance at 01/07/06 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change No.	Balance at 30/06/07 No.	Balance Held Nominally No.
J. Priest	96,968,553	-	-	5,000,000	101,968,553	-
J. Craig	17,242	-	-	97,410	114,652	-
G. Russell-Jones	24,000	-	-	26,000	50,000	-
P. Murnane	42,300	-	-	125,000	167,300	-
B. Moss	4,000,000	-	-	1,250,000	5,250,000	-
A. Basten	-	-	-	10,000	10,000	-
R. Brown	25,500	-	-	(25,500)	-	-
L. Daly	-	-	-	4,354	4,354	-
N. Cakovski	-	-	-	2,850	2,850	-

No other directors or key executive personnel held any fully paid ordinary shares in the period or in the prior period.

Executive Share Options of Apollo Life Sciences Limited

2008	Bal at 01/07/07 No.	Granted as Remuneration No.	Exercised No.	Net Other Change No.	Bal at 30/06/08 No.	Bal Vested at 30/06/08 No.	Options Vested During Year No.
J. Priest	7,000,000	-	-	-	7,000,000	5,000,000	-
J. Craig	3,350,000	-	-	(3,350,000)	-	-	-
G. Russell-Jones	3,550,000	-	-	(3,550,000)	-	-	-
P. Murnane	525,000	-	-	-	525,000	325,000	-
A. Basten	410,000	-	-	-	410,000	210,000	-
B. Moss	2,650,000	-	-	(2,650,000)	-	-	-
G. Dixon	100,000	-	-	(100,000)	-	-	-

2007	Bal at 1/7/06 No.	Granted as Remuneration No.	Exercised No.	Net Other Change No.	Bal at 30/06/07 No.	Bal Vested at 30/6/07 No.	Options Vested During Year No.
J. Priest	-	2,000,000	-	5,000,000	7,000,000	5,000,000	5,000,000
J. Craig	1,300,000	2,000,000	-	50,000	3,350,000	350,000	350,000
G. Russell-Jones	1,500,000	2,000,000	-	50,000	3,550,000	50,000	50,000
P. Murnane	200,000	200,000	-	125,000	525,000	325,000	325,000
A. Basten	200,000	200,000	-	10,000	410,000	210,000	210,000
B. Moss	1,200,000	200,000	-	1,250,000	2,650,000	2,250,000	1,250,000
G. Dixon	100,000	-	-	-	100,000	-	-
R. Brown	500,000	-	-	(500,000)	-	-	-

No other directors or key executive personnel held any options in the period or in the prior period, and no options were exercised by specified directors and executives during the year.

Further details of the Employee Share Option Plan and of share options granted as part of remuneration during the financial year are contained in notes 4 and 5 to the financial statements.

(e) Parent Entity

The parent entity of the consolidated group is Apollo Life Sciences Limited.

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23. Subsequent Events

On 30 September 2008 the Company entered into a loan agreement with Mr John Priest, a director of the company and therefore a related party, to raise debt funding of up to $2,000,000, with the loan being repayable at call, at an interest rate of 22.5% with interest being capitalised on a monthly basis. This loan is funded by a back to back loan from an external party to Mr Priest, with the following key terms:

- Interest rate of 22.5%, rising to 24.5% in the event of Default;
- Interest is capitalised on a monthly basis and may be paid along with the principal amount on or before the repayment date, which is 30 September 2009;
- The Company is required to issue 3,000,000 options over unissued shares in the Company to the external third party lender prior to the first drawdown of the loan to Mr Priest;
- The Company is required to use its best endeavours to achieve a rights issue by April 2009; and
- The loan will be drawn down as required to fund working capital requirements of the Company and the consolidated entity.

24. Discontinued Operations

In June 2008 the Company completed agreements with Symansis (NZ) Limited for the sale of certain non-core assets and licensing of know-how to allow Symansis to continue to manufacture proteins for sale as research reagents. The agreement was for a total consideration of $500,000.The total consideration exceeded book value of related assets (being inventories of $181,883) and accordingly no impairment losses were recognized on the reclassification of these operations as held for sale. The disposal of the research reagents business is consistent with the Company's restructuring strategy of realising non-core assets. The disposal was completed on 18 June 2008 on which date control of the research reagents business passed to the acquirer.

	Consolidated	
	2008	**2007**
Loss for the year from discontinued operations:		
Revenue	169,379	133,283
Other income	500,000	-
	669,379	133,283
Changes in Inventory & WIP	(243,647)	(100,917)
Raw Materials & Consumables Used	(4,141)	(16,471)
Depreciation	(2,493)	(2,146)
Finance Cost Expense	-	-
Employee Benefit Expense	(369,460)	(583,824)
Consulting	(117,232)	(97,645)
Other Expenses	(143,882)	(275,468)
Loss for the year from discontinued operations	(211,476)	(943,188)

	Consolidated	
	2008	**2007**
Cash flows from discontinued operations:		
Net cash flows from operating activities	(205,870)	(946,483)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	(205,870)	(946,483)

25. Segment Information

The following is an analysis of the revenue from sale of goods and services for the period, analysed by business segment, the consolidated entity's primary basis of segmentation. The analysis of the results and assets attributable to the Company's segments is not practicable at the early stage of development of the over-the-counter business.

	Consolidated	
	2008	**2007**
Continuing operations:		
Over the counter products		
- Sales within Australia	100,078	-
Other	7,280	-
Contract Manufacturing	14,850	-
	122,208	-
Discontinued operations:		
Human Cell Expressed Cytokines		
- Sales within Australia	38,709	21,898
- Sales to the US	99,945	96,778
- Sales to other sales destinations	30,725	14,607
	169,379	133,283
Total	291,587	133,283

The group holds no material assets outside of Australia.

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26. Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Cash and cash equivalents	237,129	8,681,182	237,129	8,681,182
	237,129	8,681,182	237,129	8,681,182

Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Loss for the period	(8,222,672)	(10,060,973)	(8,222,672)	(10,060,973)
Depreciation and amortisation of non-current assets	549,202	453,825	-	-
Equity settled share-based payment	866,163	751,377	866,163	751,377
Profit on sale of Non-Current assets	(59,307)	-	-	-
Provision for impairment in value of fixed assets	84,767	-	-	-
(Increase)/decrease in assets:				
Current receivables	217,547	(431,140)	(18,652)	967,699
Current inventories	60,999	100,917	-	-
Other Current Assets	26,725	(51,072)	(1,496)	(11,600)
Increase/(decrease) in liabilities:				
Current payables	(727,451)	452,630	14,581	(779,868)
Current provisions	(104,839)	15,998	(7,700)	6,309
Other current liabilities	-	(28,306)	-	(28,306)
Non-current provisions	(67,065)	59,935	(57,796)	50,666
Other non-current liabilities	-	155,159	-	155,159
Net cash from operating activities	(7,375,931)	(8,581,650)	(7,427,572)	(8,949,537)

27. Financial Instruments

(a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance (see Note 1). The Group's overall strategy remains unchanged from 2007.

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27. Financial Instruments (cont'd)

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. Borrowings, during the year and prior years, included finance leases, the principal of which fully secured by cash deposits held with the same banks providing the finance leases. These finance leases were fully repaid as at 30 June 2008 and the deposits securing them released. Operating cash flows are used to pay for operating cash expenses.

(b) Financial Risk Management Objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and exchange rate markets and seeks to minimise potential adverse effects on the Group's performance. Risk management is carried out by the Board of Directors.

(c) Market Risk

The Group's activities expose it primarily to the financial risks in foreign currency exchange rates and interest rates. In the last two years the Group has not used any derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(d) Foreign currency risk management

Foreign currency transactions are not significant to the consolidated operations. As such, the consolidated entity chooses not to hedge its foreign exchange risk using foreign exchange contracts. The consolidated entity's exposure to foreign currency risk at the reporting date was as follows:

	2008		2007	
	USD	EUR	USD	EUR
Cash and cash equivalents	15,078	-	52,634	-
Trade and other receivables	-	-	6,070	-
Trade and other payables	(183,860)	-	(131,790)	(514)
Total	(168,782)	-	(73,086)	(514)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies (arising from the monetary assets and liabilities held at balance date in a currency different to the functional currency of the respective entities holding the assets or liabilities), which represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated items, and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2008	2007
Profit or loss	15,828	7,871

27. Financial Instruments (cont'd)

In management's opinion, the above sensitivity analysis is not fully representative of the inherent exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

The Group includes three USA subsidiaries whose functional currency is different to the Group's presentation currency. As stated in the Group's Accounting policies per note 1, on consolidation the assets and liabilities of these entities are translated into Australian dollars at exchange rates prevailing on balance sheet date. The activities of the US subsidiaries are not significant to the Group and therefore the Group's future reported profits are not expected to be materially impacted by changes in rates of exchange between the Australian Dollar and the US Dollar.

(e) Interest Rate risk management

The Group and the Company are exposed to interest rate risk as the parent entity deposits funds at floating interest rates. The group does not hedge this risk through derivatives such as interest rate swaps.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on a 50 basis point change in interest rates taking place at the beginning of the financial year and held constant throughout the period, which represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would increase/decrease by $20,018 (2007: increase/decrease $26,721).

(f) Credit Risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of it counterparties are continuously monitored and controlled by management. Following the sale of the proteins business, trade receivable consists of a residual balance of a few customers. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum credit exposure to credit risk.

(g) Liquidity risk management

Liquidity and interest risk tables

The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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Notes to the Financial Statements for the Financial Year Ended 30 June 2008

27. Financial Instruments (cont'd)

Consolidated

	Weighted average effective interest rate %	Less than 6 months	6 months – 1 year	1 year – 2 years
2008				
Non-Interest bearing liabilities	-	574,941	-	-
Finance lease Liability	-	-	-	-
		574,941	-	-
2007				
Non-Interest bearing liabilities	-	1,302,392	-	-
Finance lease Liability	7.94%	39,731	39,731	937,019
		1,342,123	39,731	937,019

Parent

	Weighted average effective interest rate %	Less than 6 months	6 months – 1 year	1 year – 2 years
2008				
Non-Interest bearing liabilities	-	1,148,026	-	-
Finance lease Liability	-	-	-	-
		1,148,026	-	-
2007				
Non-Interest bearing liabilities	-	1,463,968	-	-
Finance lease Liability	7.94%	39,731	39,731	937,019
		1,503,699	39,731	937,019

The following tables detail the Company's and the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period based on the earliest date on which the Group can realise these assets. The table includes both interest and principal cash flows.

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27. Financial Instruments (cont'd)

Consolidated

	Weighted average effective interest rate %	Less than 6 months	6 months – 1 year	1 year – 2 years
2008				
Non-Interest bearing assets	-	439,870	-	-
Variable interest rate instruments	7.37%	237,129	-	-
		676,999	-	-
2007	-			
Non-Interest bearing assets	-	657,417		
Variable interest rate instruments	6.30%	8,681,182		
		9,338,599		

Parent

	Weighted average effective interest rate %	Less than 6 months	6 months – 1 year	1 year – 2 years
2008	-			
Non-Interest bearing assets	-	962,685	-	-
Variable interest rate instruments	7.37%	237,129	-	-
		1,199,814	-	-
2007	-			
Non-Interest bearing assets	-	944,033		
Variable interest rate instruments	6.30%	8,681,182		
		9,625,215		

(h) Fair value of financial instruments

The carrying value of all financial instruments is assumed to approximate their fair value given their short term nature.

28. Additional Company Information

Apollo Life Sciences Limited is a listed public company, incorporated and operating in Australia.

Registered Office and Principal Place of Business
Level 1, 147 Queen Street
Beaconsfield NSW 2015

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