

Select Vaccines Limited

ABN: 25 062 063 692

ASX Preliminary final report ~ December 31, 2008

Lodged with the ASX under ASX Listing Rule 4.3A

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

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Financial report

Select Vaccines Limited

ABN: 25 062 063 692

Reporting period 12 months ended December 31, 2008.

Previous period: 12 months ended December 31, 2007.

Results to be announced to the market

		% Mvt.		A\$'000
Revenue from ordinary activities	Down	89.60%	to	75
(Loss) / from ordinary activities	Down	12.13%	to	(1,161)
Net (loss) for the year attributable to members	Down	12.13%	to	(1,161)

Dividends

It is not proposed to pay a dividend.

Other information	December 31, 2008	December 31, 2007
Net tangible assets per ordinary share	0.29cents	0.74 cents

This preliminary final report is based on accounts that are in the process of being audited.



SELECT VACCINES LIMITED AND CONTROLLED ENTITIES
ABN: 25 062 063 692

ANNUAL REPORT

FOR THE YEAR ENDED
31st DECEMBER 2008

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SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Dear Shareholder,

The year just gone has seen an increasingly difficult environment for small biotechnology companies in Australia, including Select Vaccines Ltd. The difficult fund-raising conditions in 2008 were compounded by the Federal government's withdrawal in the May budget of AusIndustry's Commercial Ready grant scheme. This impacted most small Australian biotechnology companies which do not have revenue streams (including SLT) by increasing the capital required from the equity markets and thus increasing the capital risk of investors.

We commenced 2008 with a plan to manufacture and test some candidate vaccine products for hepatitis C and influenza; the latter program continuing despite the withdrawal of Avant Immunotherapeutics at the end of 2007. The year ended with a serious cost-cutting exercise.

The influenza vaccine material for H5 avian 'flu was manufactured using a commercial yeast-based system and the subsequent positive mouse study results using this material were presented at international conferences during the year.

A commercial mammalian-cell system was used to manufacture the hepatitis C candidate material however testing of a preliminary batch yielded poor immunogenicity results. The Company was not in a position to raise additional cash during the year to explore the reasons for this failure, or to continue other VLP development work and so the programs have been suspended.

In view of the strict need to conserve cash, including that required to maintain the Company's intellectual property assets, a review of the company's strategy was undertaken in the last quarter of 2008 to enable us to explore all options. The vaccine sector remains one of the highest growth areas in therapeutics and the decision was taken to refocus on commercial partnerships to assist fund our VLP and other technology platforms. This strategy is now underway.

The Company was not able to fund renewal of the research contract with the Burnet Institute when it expired at the end of 2008 however we maintain an excellent relationship with this prestigious group and I wish to thank the researchers in particular for their efforts over the past year.

I would also like to thank shareholders for their support during what has turned out to be a difficult year, and also to thank our directors and management for their enthusiasm and hard work.

□

Yours faithfully,

Robin Beaumont
Chairman

Julie Nutting
Chief Executive Officer

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
REVIEW OF OPERATIONS**

REVIEW OF OPERATIONS

Review of Operations

Select Vaccine Ltd (SLT) holds intellectual property assets in three technology areas:

- ☐ Virus-like Particle (VLP) vaccines
- ☐ Antiviral molecules, and
- ☐ Diagnostics.

VLP Program

Virus-like particles (VLPs) offer a way of delivering antigens (e.g. from viruses, bacteria, parasites and cancers) and therefore can be used as vaccines. VLPs are already used in some marketed vaccines against hepatitis B virus (HBV) and human papilloma virus (HPV).

Select Vaccine's proprietary VLP platform technology, ANAVAX™, is based on modifications to duck hepatitis B virus VLPs developed by SLT's researchers at the Burnet Institute. This novel technology can allow larger antigens to be incorporated into the VLP without disrupting its structure, and therefore its function. Also, the size of the VLPs formed with the Company's technology is within the range preferred by the body's dendritic cells for recognition and uptake, which promotes the likelihood of eliciting an immune response.

The ANAVAX technology platform is the subject of a series of international patent applications. The first of the company's VLP patent set was lodged in April 2004. It is currently in national phase, with the first application being granted in Australia in January 2009 (International Application no PCT/AU2004/000511 entitled "Viral Vector"). The second patent set was filed in August 2006 and is proceeding to national phase (International Application no PCT/AU2007/001241 entitled "Viral Vector II").

Select Vaccines has current VLP programs for

- ☐ Influenza (seasonal)
- ☐ Influenza (pandemic)
- ☐ Hepatitis C and
- ☐ Malaria.

Avant Immunotherapeutics Inc entered into a commercialisation agreement for SLT's influenza program in 2007, however withdrew in November 2007 following its merger agreement with Celldex Therapeutics Inc. Having regained the rights to the influenza indication, SLT resumed activity in this program during 2008. This included proof-of-concept manufacture of one of the influenza vaccine candidates (ANAVAX™ H5 Avian Influenza) using a yeast-based production system under contract to ARTES Biotechnology GmbH (Germany). The advantage of the yeast based system would be to provide cost-effective manufacturing of future scaled-up product once developed, and also the system could be extrapolated for use with other 'flu vaccine candidates and for other target disease VLP vaccine candidates such as malaria. The material manufactured under this yeast system was used in preclinical studies where it demonstrated positive results. ANAVAX™ H5 successfully produced an immune response in mice when administered in combination with a traditional alum adjuvant. The findings were presented at the Australian Society for Microbiology and IBC's Next Generation Vaccines Conference, an international symposium held in Maryland, USA.

ANAVAX™ H5 Avian Influenza is based on the A/Vietnam/3028/2004 strain of bird 'flu. In the studies it was administered at a low dose (five micrograms) in combination with an aluminium oxide adjuvant. In seven out of eight mice, two doses were sufficient to produce an immune response (i.e. antibodies to the H5 bird 'flu protein were elevated). A lower proportion of animals responded when the vaccine candidate was administered without adjuvant (five of eight mice after three doses), while responses were seen in all positive control groups (given one microgram of purified H5 protein) whether or not an adjuvant was used.

SLT is currently seeking new development partners for the influenza programs.

The Hepatitis C program aimed to produce a VLP vaccine which could be used against Hepatitis C, be more efficacious than other candidate vaccines currently being researched and also potentially require no adjuvant. The hepatitis C development being conducted during 2008 involved the manufacture of the Hep C VLP using a mammalian cell culture system developed by Gala Biotech, Catalent Pharma Solutions (USA). VLPs were successfully assembled in the industrially scalable expression system. However the first screening of an early production test batch yielded poor immunogenicity results. These did not reflect the positive results seen with previous Hep C VLPs which had been used in-house, and further development of the Hep C program was terminated. This was communicated to the market in December 2008.

Early research work using crude preparations of the malaria VLPs (MSP2) has produced immune responses in both mice and rabbits. Further work in this area has been suspended until access to partner funding becomes available.

During the last quarter of 2008 the Company undertook a review of its technology and priorities in order to ascertain funding requirements and develop an appropriate strategy. The focus of the company subsequently became to seek partnering arrangements through licensing or co-development, and to seek financial support through government and other funding bodies to promote research into these important disease areas.

The Company is seeking partners to assist funding of ongoing research of the VLPs in these programs and suspended the research being undertaken at the Burnet until funding is forthcoming.

Antiviral Program

The antiviral program is focussed on developing therapeutic compounds against a range of picornaviruses (rhinoviruses and enteroviruses). Rhinoviruses are associated with a range of clinical problems including exacerbations of respiratory diseases (e.g. COPD and asthma). Enteroviruses are associated a number of infectious diseases e.g. hand, foot and mouth disease, encephalitis and myocarditis. There is a strong market need for effective antiviral treatments. Earlier exploratory research identified the mechanism of action of a novel class of non-nucleoside RNA-dependent RNA polymerase inhibitors (acylguanidines). Subsequently SLT's researchers have identified a number of candidates ready for screening as potential antiviral compounds. Additional research and development work was suspended during 2008 in this program until a partner for outlicensing or co-development can be found. The intellectual property is protected by International Application no PCT/AU2003/00093 (granted in Australia in November 2007) and PCT/AU2007/001939.

Diagnostic Program

SLT has developed both laboratory-based and rapid point-of-care diagnostic assays for the hepatitis E virus, and rapid point-of-care diagnostic assays for hepatitis A. These have been outlicensed previously, however no significant progress has been achieved this year due to the regulatory approval processes in the key markets and poor international sales. The Company has commenced review of the licence agreements with the aim of accelerating revenue generation.

Additionally, a preliminary clinical validation study was conducted on a new syphilis point-of-care diagnostic developed by SLT, to determine the clinical significance of the test. Syphilis is re-emerging as a public health problem in the western world. Existing methods of diagnosis of this sexually-transmitted infection involve laboratory testing and a delay in results, whereas a point of care test would allow a clinician to diagnose the disease while the patient is present and therefore institute treatment immediately. SLT is currently investigating the market potential for this diagnostic test and will then approach potential kit development partners.

Financials

In summary, for the 2008 year

- the loss for the economic entity for the year was \$1,161,135 (2007: \$1,321,460), including R&D costs of \$880,210 (2007:\$1,309,422).
- Revenue was \$75,243 (2007:\$721,133). The decrease compared to 2007 revenues reflects the withdrawal of a funding partner Avant Immunotherapeutics Inc in late 2007.
- Cash position as at 31st December 2008 of \$461,819 (31st Dec 2007: \$1,639,337).

The primary focus of the Company's operations during 2008 has been

- the completion of the outstanding VLP research and testing programs,
- review (scientific and commercial) of all operations,
- the re-assessment of the company's direction and strategy given the inaccessibility of funding, and
- commencement of preliminary outlicensing discussions for the program areas

In view of the Company's cash position at the end of 2008, the R&D agreement with the Burnet Institute was not renewed pending development of a new research plan and availability of adequate funding.

**SELECT VACCINES LIMITED 25 062 063 692
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CORPORATE GOVERNANCE**

A review of the Company's 'Corporate Governance Framework' is performed on a periodic basis to ensure that it is relevant and effective in light of the changing legal and regulatory requirements. The Board of Directors continues to adopt a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries.

Unless otherwise stated all Policies and Charters meet the ASX Corporate Governance Best Practice Recommendations. All Charters and Policies are available from the Company or on its Website www.selectvaccines.com.au

Role of the Board and Management

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities are detailed in its Board Charter and cover the following broad categories:

- 1 Leadership of the organisation
- 2 Strategy formulation
- 3 Overseeing planning activities
- 4 Shareholder liaison
- 5 Monitoring, compliance and risk management
- 6 Company finances
- 7 Human resources
- 8 Health, safety and well-being of Directors, Officers and Contractors
- 9 Delegation of authority
- 10 Remuneration policy
- 11 Nomination policy

Structure and Composition of the Board

The Board has been formed so that it has an effective mix of personnel who are committed to adequately discharging their responsibilities and duties, and being of value to the Company.

The names of the Directors, their independence, qualifications and experience are stated on pp. 9-11 along with the term of office held by each.

The Board believes that the interests of all Shareholders are best served by:

- Directors having the appropriate skills, experience and contacts within the Company's industry.
- The Company striving to have a number of Directors being independent as defined in the ASX Corporate Governance Guidelines.
- Some major Shareholders being represented on the Board.

There is a majority of Directors classified as being 'Independent'. The Board believes that it can continue to attract Directors with the appropriate industry experience.

However, where any Director has material personal interest in a matter and, in accordance with the Corporations Law, the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of Shareholders, as a whole, is pursued and that their interest or the Director's independence is not jeopardised.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

Ethical and Responsible Decision-Making

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company has a share trading policy that regulates the dealings by Directors, Officers and Employees, in shares, options and other securities issued by the Company.

The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis with the Company are aware of the legal restrictions on trading in Company securities while in possession of unpublished price-sensitive information.

Integrity in Financial Reporting

In accordance with the Board's policy, the CEO and CFO have made attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

The Company has a duly constituted Audit, Risk and Compliance Committee. The current members of the Committee, as at the date of this report, and their qualifications are detailed in the Directors' Profiles on pp. 9-11.

The Committee holds a minimum of two meetings a year. Details of attendance of the members of the Audit, Risk & Compliance Committee are contained on page 15.

Timely and Balanced Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with ASX 'Listing Rules', the Company immediately notifies the ASX of information concerning the Company:

- 1 That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
- 2 That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Rights of Shareholders

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

- 1 Communicating effectively with Shareholders through ongoing releases to the market via ASX information and General Meetings of the Company;
- 2 Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
- 3 Making it easy for Shareholders to participate in General Meetings of the Company; and
- 4 Requesting the External Auditor to attend the Annual General Meeting and be available to answer Shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

Any shareholder wishing to make inquiries of the Company is advised to contact the registered office. All public announcements made by the Company can be obtained from the ASX's website www.asx.com.au

Recognise and Manage Risk

The Audit, Risk & Compliance Committee has established a policy for risk oversight and management within the Company. This is periodically reviewed and updated.

The CEO and CFO have given a statement to the Board that:

- a) In accordance with 'Best Practice Recommendation 4.1', that the Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
- b) The Company's 'Risk Management and Internal Compliance and Control System', in so far as it relates to financial risk, is operating effectively in all material respects.

Encourage Enhanced Performance

A 'Performance Evaluation Policy' has been established to evaluate the performance of the Board, individual Directors and Executive Officers of the Company. The Board is responsible for conducting evaluations on an annual basis in line with these policy guidelines.

During the reporting period, questionnaires were circulated to all members of the Board to conduct individual and group performance evaluations. These questionnaires were collated and analysed, providing the Board with valuable feedback and evaluation for future development.

During the year, all Directors have full access to all Company records and receive Financial and Operational Reports at each Board Meeting.

All new Directors undergo an induction program.

Remunerate Fairly and Responsibly

Profiles of members and details of meetings of the Remuneration and Nomination Committee are detailed on pp. 9-11 & 15 of the Directors' Report.

The Committee is responsible for, but not limited to :

- Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees of the Company.
- Approving the design of Executive & Employee incentive plans (including equity-based plans) and proposed payments or awards under such plans.
- Reviewing performance hurdles associated with incentive plans.
- Making recommendations to the Board on the remuneration of Non-Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time.
- Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service.
- Succession planning for the CEO and Senior Executive Officers.
- Performance assessment of the CEO and Senior Executives.
- Recommending policy on the selection of Board Members.
- Recommending prospective Board Members to the Full Board of the Company.

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

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

Current remuneration is disclosed in Note 5: Key Management Personnel Compensation.

Legitimate Interests of Stakeholders

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, it encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its 'Code of Conduct Policy'.

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Your Directors present their report on the Company and its controlled entities for the financial year ended 31 December 2008.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Robin Beaumont	—	Chairman, Independent
Qualifications	—	Dip. App. Chem, MBA
Experience	—	Board member since 9 June 2005, appointed Chairman 17 August 2005, Mr Beaumont (aged 67) was Managing Director of the Advent venture capital and private equity group until 1988 and represented Advent's interests as a director of five investee companies - Primary Health Care, Benchmark Mutual Hospital Group, The Preston Group, Tower Technology and the Ayers Rock Resort Company. Prior to joining Advent he had more than ten years of strategy consulting experience, preceded by senior management positions in the Pacific Dunlop group. Mr Beaumont was also Chairman of the Cooperative Research Centre for Diagnostics until 2007 and is a former director of Ruralco Limited.
Interest in Shares and Options	—	5,800,000 Ordinary Shares.
Directorships in listed public companies over the past 3 years.	—	Director of EvoGenix Limited from 2004 to 2007, Gropep Limited from 1999 to 2006 and Chairman of Arana Therapeutics Limited since 2007.
Special Responsibilities	—	Member of the Audit, Risk & Compliance Committee and the Remuneration & Nomination Committee.
Julie Nutting	—	Chief Executive Officer
Qualifications	—	BPharm, MSc, MBA
Experience	—	Appointed interim CEO 29 September 2008, Ms Nutting has a background in clinical trials, regulatory affairs and pricing gained in multinational pharma companies. As Government and Scientific Affairs manager at Sandoz Australia and later at Covance, Ms Nutting led teams to gain marketing approval and PBS listing of therapeutics for the Australian and New Zealand markets. Then as CEO/director in start-up listed and unlisted biotechnology companies, she has assisted commercialisation and development of therapeutics, devices and diagnostics. Her corporate activities have included strategy review, business/product development planning, licensing, and fund raising. Ms Nutting is a director of Bio OPS Pty Ltd., Savine Therapeutics Pty Ltd., Milvella Ltd and the CRC for Asthma and Airways Ltd.
Interest in Shares and Options	—	Nil
Directorships in listed public companies over the past 3 years.	—	Nil
Special Responsibilities	—	Chief Executive Officer

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DIRECTORS' REPORT**

George Weber	— Non-Executive Director, Independent
Qualifications	— Associate of Arts Degree, University of Minnesota
Experience	<p>— Board member since 19 May 2004, Mr Weber (aged 65) has a strong background in the commercialisation of life sciences. Originally from the United States, Mr Weber worked with Eli Lilly and Johnson & Johnson in a variety of sales and management functions that included responsibility for the marketing and sales of pharmaceutical, instrumentation, implant and diagnostic products. The latter included responsibility for Hepatitis C tests marketed by Ortho-Clinical Diagnostics (a division of Johnson & Johnson) in conjunction with Chiron Inc.</p> <p>Since the early 1990's Mr Weber has run his own medical marketing consultancy. Clients have included ResMed Ltd, Universal Biosensors Pty Ltd and Chiron Inc. In July 2003, Mr Weber was appointed Managing Director of Chiron Vaccines Australia. Since its takeover by Novartis he has remained on as Country Manager, Australia, Novartis Vaccines.</p>
Interest in Shares and Options	— 360,000 Ordinary Shares.
Directorships in listed public companies over the past 3 years.	— Nil Directorships held.
Special Responsibilities	— Chairman of the Audit, Risk & Compliance Committee and the Remuneration & Nomination Committee.
Ian Cooke	— Non-Executive Director, Independent
Qualifications	— BSc (Hons), PhD, M IP Law, MBA
Experience	<p>— Board member since 19 May 2004. Dr Cooke (aged 52) is the currently the Managing Director of CNSBio Pty Ltd, a new venture capital-funded biotechnology company specialising in the development of combination therapies for the treatment of pain. He was formerly an Associate Director (Research & Development) at the Macfarlane Burnet Institute for Medical Research and Public Health where he was responsible for the overall management of the Burnet Institute's major research activities, with a particular focus on the commercialisation of emerging technologies developed by the Institute's scientists. Dr Cooke also holds the part-time position of Principal Analyst at Foursight Associates Pty Ltd, a Melbourne-based life sciences and technology consultancy, where he provides advice to private equity funds and other clients regarding potential investments in the biotechnology arena.</p> <p>Prior to joining the Burnet Institute in 1997, Dr Cooke was Associate Professor of Biology at Deakin University, following postdoctoral research fellowships at Princeton University and AT&T Bell Laboratories in the USA and a Queen Elizabeth II Research Fellowship at Monash University.</p> <p>Dr Cooke is also a director of Human Genome Sciences Pacific Pty Ltd, the Australian subsidiary of the NASDAQ-listed biopharmaceutical company Human Genome Sciences Inc.</p>
Interest in Shares and Options	— 56,000 Ordinary Shares: Nil Options over Ordinary Shares.
Directorships in listed public companies over the past 3 years.	— Nil Directorships held.
Special Responsibilities	— Member of the Audit, Risk & Compliance Committee.

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DIRECTORS' REPORT**

Shane Allan	— Non-Executive Director
Qualifications	— BCom, MBA.
Experience	— Board member since 14 February 2007, Mr Allan (aged 59) has extensive experience in capital markets and financial management. He has served previously as CEO of Powertel Limited, and Chairman of SelecTV Broadcasting Limited. He was Director of Finance and Director of Corporate Services at Telstra as well as Finance Director of Davids Limited, Computer Power Group Limited and Repco Corporation Limited.
Interest in Shares and Options	— Nil
Directorships in listed public companies over the past 3 years.	— Non Executive Director of Orion Telecommunications Limited and Big Air Group Limited.
Special Responsibilities	— Chairman of the Audit, Risk & Compliance Committee.
Martin Soust	— Dr Martin Soust was the CEO and Managing Director of the Company since the Company began its current operations in 2003 until his resignation on August 31, 2008.

Company Secretary

The name and details of the Company Secretary in office during the financial year and until the date of this report is as follows. The Company Secretary was in office for this entire period unless otherwise stated.

Richard Wadley	Company Secretary & Chief Financial Officer (Appointed 2 April 2007)
Qualifications	— FCCA
	— Richard Wadley who was appointed as Chief Financial Officer and Company Secretary on 2 April 2007 specialises in providing financial and Company secretarial services to earlier stage life science companies. Formerly CFO and Company secretary for Biota Holdings Limited he has extensive experience in the areas of financial management, investor relations and capital raisings. He practised as a Chartered Accountant and has experience in the operations of a number of public listed companies.

Management

CEO. *Dr Julie Nutting*
(See Directors)

Earnings per Share

	2008	2007
Basic earnings/(loss) per share	(0.45) cents	(0.54) cents
Diluted earnings/(loss) per share	(0.45) cents	(0.54) cents

Dividends

No dividend is recommended for the year. No dividends were paid during the year.

Corporate Information

Corporate Structure

Select Vaccines Limited is a company limited by shares that is incorporated and domiciled in Australia.

Principal Activities

The principal activities of the economic entity during the financial year were the development and commercialisation of products addressing unmet medical needs in the field of infectious diseases.

Employees

The company had 2 employees as at 31 December 2008 (2007: 3 employees).

Operating Results & Review of Operations

The consolidated loss of the economic entity after providing for income tax and eliminating outside equity interests amounted to \$1,161,135 (2007: loss of \$1,321,460).

Refer to the Review of Operations section of the Annual Report for further details of the review of operations and future developments of the Company.

**SELECT VACCINES LIMITED 25 062 063 692
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DIRECTORS' REPORT**

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year under review not otherwise disclosed in this annual report.

After Balance Date Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company to affect significantly the operations of the entity, the results of those operations or the state of affairs of the entity in future financial years.

Environmental Issues

The economic entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

Remuneration Report

This report details the nature and amount of remuneration for each Director of Select Vaccines Limited.

Remuneration Policy

Remuneration of all Executive and Non-Executive Directors, Officers and Employees of the Company is determined by the Remuneration and Nomination Committee in conjunction with the Board.

The Remuneration and Nomination Committee, consisting of a Non-Executive Director and the Chair, has been established and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and, within amounts approved by shareholders, Non-Executive Directors. Details of the Remuneration Committee's charter are outlined in Select Vaccines Ltd's Corporate Governance Statement.

Non-Executive Director's fees are set at a rate that is comparable to other biotechnology companies. In addition to fees paid, options over shares in the Company are issued, subject to shareholder approval, to Non-Executive Directors in order to align the interests of the Directors with the objectives of the Company and its shareholders. The quantum of options issued is based on a recommendation made by the Remuneration and Nomination Committee. The base fee for the Chairman is set at twice the rate of other Non-Executive Directors.

Executive Directors' remuneration and other terms of employment are reviewed annually by the Remuneration and Nomination Committee having regard to performance against goals set at the start of the year, relevant comparative information and, if required, independent expert advice.

The board undertakes an annual review of its performance and the performance of the board committees against goals set at the start of the year.

The company's remuneration policies are designed to align Executive Directors' and other Executives' ("Executives") remuneration with the interests of shareholders. Accordingly, the Executive remuneration and reward framework has four components:

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DIRECTORS' REPORT**

Base Remuneration

Executives are offered competitive base remuneration which is reviewed annually to ensure it is competitive with market rates. There are no guaranteed increases fixed in any Executive's contracts.

Performance Related Bonuses

The amount of the possible bonus awarded to Executives is determined by the Remuneration and Nomination Committee with reference to:

- the Company's share price performance relative to the overall market and biotechnology sectors
- the Company's share price performance relative to comparable companies within the biotechnology sector
- specific milestones for the Company.

As the Company is in a research and development phase, Executive reward has not taken into account the earnings of the Company.

Select Vaccines Ltd Share and Option Plan ("SVESOP")

Directors (subject to shareholder approval) and other Executives are entitled to participate in the SVESOP. Details of the SVESOP have previously been detailed and approved by shareholders at the 2005 Annual General Meeting. Details of options issued under this plan in the year ended 31 December 2008 are detailed in Note 21 of the financial statements.

Retirement Benefits

The Company meets its obligations to employees under the Superannuation Guarantee Legislation and may contribute additional superannuation at the direction of Executives. No other retirement benefits are payable.

Remuneration Policy versus Company Financial Performance

The Company's Remuneration Policy is not directly based on its performance, rather on industry practice.

The Company's primary focus is research activities with a long term objective of developing and commercialising its research & development results.

The Company believes performance is best measured against R&D outcomes which represent a significant Company expense resulting in losses but translates into share price movement.

Details of remuneration for the year ended 31st of December 2008

Director	Base Fee	Superannuation	Other	Equity	Total
Robin Beaumont	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000
George Weber	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Ian Cooke	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Shane Allan	\$ 46,170	\$ -	\$ -	\$ -	\$ 46,170
Martin Soust (resigned August 31, 2008)	\$ 189,500	\$ -	\$ -	\$ -	\$ 189,500

Specified Executive	Base Fee	Superannuation	Other	Equity	Total
Julie Nutting	\$ 52,500	\$ -	\$ -	\$ -	\$ 52,500
Richard Wadley	\$ 54,600	\$ -	\$ -	\$ -	\$ 54,600

No equity issues were made to Directors in the year ended December 31, 2008 (2007 nil)

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Performance income as a proportion of total remuneration

All Executives are eligible to receive incentives whether through employment contracts or by the recommendation of the Board. Their performance payments are based on a set monetary value or as a proportion of their base salary. Therefore there is no fixed proportion between incentive & non-incentive remuneration.

Non-Executive Directors are not entitled to receive bonuses.

Shares

No shares were issued to Directors or Executives during the year as part of their remuneration.

Employment contracts of directors and senior executives

No Directors or Executives were under employment contracts as at 31 December 2008.

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DIRECTORS' REPORT**

Meetings of Directors

During the financial year, 9 meetings of Directors, executives and committees of Directors were held. Attendances by each Director during the year were:

	Directors' Meetings		Committee Meetings	
	Number eligible to attend	Number attended	Audit , Risk & Compliance Committee Number eligible to attend	Number attended
Robin Beaumont	7	7	2	2
Julie Nutting	2	2	-	-
George Weber	7	7	2	2
Ian Cooke	7	7	2	2
Shane Allan	7	6	2	2
Martin Soust	5	5	-	-

Indemnifying Officers or Auditors

During the financial year the Company entered into a policy to indemnify Directors and Officers against certain liabilities incurred as a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, 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 an officer or auditor.

Options

As at the date of this report the unissued ordinary shares of Select Vaccines Limited under options are as follows:

Code	Date of expiry	Exercise price	Number under option
SLTAS	29/04/2009	\$0.440	2,000,000
SLTOA	15/08/2011	\$0.060	3,000,000
			<u>5,000,000</u>

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit, Risk & Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services did not compromise the external auditor's independence because the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants set by Accounting and Ethics Standards Board. During the year ended 31 December 2008 the economic entity paid \$9,403 (2007: \$12,523) to the external auditors for taxation compliance advice.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2008 has been received and can be found on page 15 of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

Robin Beaumont
Chairman

Shane Allan
Director

Dated this 27 th day of February 2009

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

**LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SELECT VACCINES LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MDHC AUDIT ASSURANCE PTY LTD

**Kevin P Adams
Director**

**Melbourne
27 February 2009**

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	2	75,243	721,133	75,243	708,543
Depreciation	3	(10,215)	(10,982)	(4,413)	(5,197)
Auditors remuneration	6	(39,948)	(46,523)	(39,948)	(46,523)
Corporate & Compliance costs	3	(158,262)	(202,161)	(158,262)	(201,607)
Research & development	3	(880,210)	(1,309,422)	(879,873)	(1,225,271)
Directors' fees	3	(206,230)	(205,830)	(206,230)	(205,830)
Impairment of assets	3	-	(31,000)	335,306	(271,872)
General and Administration		(562,441)	(583,825)	(562,347)	(587,675)
Loss before income tax		(1,782,063)	(1,668,610)	(1,440,524)	(1,835,432)
Income tax benefit	4	620,928	347,150	620,928	-
Loss for the year		(1,161,135)	(1,321,460)	(819,596)	(1,835,432)
Net loss attributable to members of the parent entity		(1,161,135)	(1,321,460)	(819,596)	(1,835,432)
Basic earnings per share (cents per share)	7	(0.45)	(0.54)		
Diluted earnings per share (cents per share)	7	(0.45)	(0.54)		

The accompanying notes form part of these financial statements.

SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	8	461,819	1,639,337	453,243	1,642,312
Trade and other receivables	9	356,514	414,475	356,514	52,266
Other current assets	13	-	25,771	-	25,771
Total current assets		818,333	2,079,583	809,757	1,720,349
Non-current assets					
Financial assets	10	-	-	-	-
Plant and equipment	12	36,742	46,957	8,261	12,675
Total non-current assets		36,742	46,957	8,261	12,675
Total assets		855,075	2,126,540	818,018	1,733,024
Current liabilities					
Trade and other payables	14	108,474	218,558	108,473	203,635
Provisions	15	5,509	5,780	5,509	5,780
Total current liabilities		113,983	224,338	113,982	209,415
Non-current liabilities					
Provisions	15	381	357	381	357
Total non-current liabilities		381	357	381	357
Total liabilities		114,364	224,695	114,363	209,772
Net assets		740,711	1,901,845	703,655	1,523,252
Equity					
Contributed equity	16	36,268,907	36,268,907	36,268,907	36,268,907
Accumulated losses		(35,528,197)	(34,367,062)	(35,565,252)	(34,745,656)
Total equity		740,710	1,901,845	703,655	1,523,251

The accompanying notes form part of these financial statements.

SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Contributed Equity	Economic Entity Accumulated Losses	Total
	\$	\$	\$
Balance at 1/1/2007	35,199,025	(33,045,602)	2,153,423
Equity issued during the year	1,069,882	-	1,069,882
Loss attributable to members of parent entity	-	(1,321,460)	(1,321,460)
Balance at 31/12/2007	36,268,907	(34,367,062)	1,901,845
Equity issued during the year	-	-	-
Loss attributable to members of parent entity	-	(1,161,135)	(1,161,135)
Balance at 31/12/2008	36,268,907	(35,528,197)	740,710

	Contributed Equity	Parent Entity Accumulated Losses	Total
	\$	\$	\$
Balance at 1/1/2007	35,199,025	(32,910,224)	2,288,801
Equity issued during the year	1,069,882	-	1,069,882
Loss attributable to members of parent entity	-	(1,835,432)	(1,835,432)
Balance at 31/12/2007	36,268,907	(34,745,656)	1,523,251
Equity issued during the year	-	-	-
Loss attributable to members of parent entity	-	(819,596)	(819,596)
Balance at 31/12/2008	36,268,907	(35,565,252)	703,655

The accompanying notes form part of these financial statements.

SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		-	579,181	-	579,181
Payments to suppliers and employees		(1,928,227)	(2,665,007)	(1,915,377)	(2,420,040)
Interest received		82,628	115,983	82,628	115,945
Other		668,080	-	308,374	-
Net cash (used in) operating activities	20a	(1,177,519)	(1,969,843)	(1,524,375)	(1,724,914)
Cash flows from investing activities					
Purchase of plant and equipment		-	(3,588)	-	(3,588)
Proceeds from sale of equity investments		-	-	-	-
Advances to related parties		-	-	(14,693)	(240,872)
Repayments from related parties		-	-	350,000	-
Net cash provided by (used in) investing activities		-	(3,588)	335,307	(244,460)
Cash flows from financing activities					
Proceeds from issue of shares		-	1,069,882	-	1,069,882
Capital raising costs		-	-	-	-
Net cash provided by financing activities		-	1,069,882	-	1,069,882
Net increase (decrease) in cash held		(1,177,519)	(903,549)	(1,189,068)	(899,492)
Cash and cash equivalents at beginning of year		1,639,337	2,542,886	1,642,311	2,541,803
Cash and cash equivalents at end of year	8	461,818	1,639,337	453,243	1,642,311

The accompanying notes form part of these financial statements.

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 1 Statement of significant accounting policies

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

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

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

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

Basis of preparation

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

Accounting policies

a. Principles of consolidation

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

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

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

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

b. Income tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

c. **Property, plant and equipment**

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

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

Depreciation

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

d. **Leases**

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

Operating Leases

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

Finance Leases

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

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

e. **Financial instruments**

Recognition

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

Investments

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Fair value

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

Impairment

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

SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

f. Research and development expenditure

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

g. Intangibles

Goodwill

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

Other

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

h. Cash and cash equivalents

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

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

i. Revenue

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

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

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

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

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

j. Trade and other receivables

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

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

k. Trade and other payables

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

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

l. Impairment of assets

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

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

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

m. Share-based payments

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

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

SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

n. Share capital

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

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

o. Earnings per share

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

p. Goods and Services Tax (GST)

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

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

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

q. Comparative figures

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

The Financial report was authorised for issue on 27 February 2009 by the board of directors.

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 2 Revenue

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue				
Research and Development Revenue	-	579,181	-	579,181
Interest revenue - other persons	75,243	137,343	75,243	124,753
Interest Revenue - subsidiaries	-	-	-	-
Net gain on write-back of inter-company loans and impairment of shares	-	-	-	-
Other	-	4,609	-	4,609
Total Revenue	75,243	721,133	75,243	708,543

Note 3 Profit/(loss)

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

Loss before income tax has been determined after:

a. Expenses

Depreciation of non-current assets:

- Depreciation	10,215	10,982	4,413	5,197
Total Depreciation	10,215	10,982	4,413	5,197

Research and development costs:

- Research & development	880,210	1,309,422	879,873	1,225,271
Total Research & Development	880,210	1,309,422	879,873	1,225,271

Write-down of assets:

- Impairment of investments	-	31,000	-	31,000
- Impairment of subsidiaries loans	-	-	14,694	240,872
- Reinstatement of subsidiary loan	-	-	(350,000)	-
Total Write-down of Assets	-	31,000	(335,306)	271,872

Auditors remuneration

	39,948	46,523	39,948	46,523
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Corporate & Compliance Costs

	158,262	202,161	158,262	201,607
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Directors' fees

	206,230	205,830	206,230	205,830
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General and Administration

	562,441	583,825	562,347	587,675
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Total Other Expenses	966,881	1,038,339	966,787	1,041,635
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Total Expenses

1,857,306	2,389,743	1,515,767	2,543,975
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b. Revenue and net gains

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
- Select Vaccines Ltd gain on write-back of inter-company loan from Hepgenics Pty Ltd	-	-	335,306	-
	-	-	335,306	-

c. Significant revenues and expenses

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
The following significant revenue and expense items are relevant in explaining the financial performance:				
- Research & Development revenues	-	579,181	-	579,181
- Impairment of assets	-	31,000	-	272,872

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 4 Income tax expense

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. The prima facie tax on loss before tax is reconciled to the income tax as follows:				
Prima facie tax payable on loss before income tax at 30% (2007:30%)				
— Economic entity	(447,326)	(500,383)		
— Parent entity			(344,864)	(550,630)
	(447,326)	(500,383)	(344,864)	(550,630)
Add/(less):				
Tax effect of:				
Non-deductible expenses	-	781	-	781
Research and development rebate	(620,928)	(347,150)	(620,928)	-
Impairment of assets	-	9,300	-	81,562
Deferred tax asset	447,326	490,302	344,864	468,287
Income tax expense attributable to profit/loss before income tax	(620,928)	(347,150)	(620,928)	-
b. The Directors estimate that the potential deferred tax asset at 31 December 2008 in respect of tax losses not brought to account is:				
Carried forward losses	4,266,589	3,819,263	2,272,911	1,928,047
This benefit for tax losses will only be obtained if:				
(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and				
(ii) the losses are transferred to an eligible entity in the consolidated entity; and				
(iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and				
(iv) no changes in tax legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.				

Note 5 Key Management Personnel compensation

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

Economic & Parent Entity Directors

Robin Beaumont (Chairman, appointed 9/06/05)
George Weber (Non-Executive Director, appointed 19/05/04)
Ian Cooke (Non-Executive Director, appointed 19/05/04)
Shane Allan (Non-Executive Director, appointed 14/02/07)

Martin Soust (Managing Director, appointed 1 April 2003 resigned 31 August 2008)

Specified Executives

Julie Nutting-Chief Executive Officer. Appointed 29 September 2008
Richard Wadley - Company Secretary & Chief Financial Officer. Appointed 2 April 2007

b. Compensation of Key Management Personnel

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

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	482,940	494,425	482,940	494,425
Post-employee benefits	19,830	-	19,830	-
Other long-term benefits	-	-	-	-
Share-based payment	-	-	-	-
	502,770	494,425	502,770	494,425

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

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

**c. Economic & Parent Entity Directors' remuneration
2008**

	Primary Benefits Base Fee \$	Other Compensation Benefits \$	Post Employment Super \$	Equity Compensation \$	Total \$
Robin Beaumont	80,000	-	-	-	80,000
Martin Soust	189,500	-	-	-	189,500
George Weber	40,000	-	-	-	40,000
Ian Cooke	40,000	-	-	-	40,000
Shane Allan	46,170	-	-	-	46,170
	<u>395,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,670</u>

Martin Soust resigned from the Company on August 31, 2008
2007

	Primary Benefits Base Fee \$	Other Compensation Benefits \$	Post Employment Super \$	Equity Compensation \$	Total \$
Robin Beaumont	80,000	-	-	-	80,000
Martin Soust	255,000	-	-	-	255,000
George Weber	40,000	-	-	-	40,000
Ian Cooke	40,000	-	-	-	40,000
Shane Allan	45,830	-	-	-	45,830
	<u>460,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,830</u>

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

**d. Specified Executives' remuneration
2008**

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

2007

	Primary Benefits Base Fee \$	Other Compensation Benefits \$	Post Employment Super \$	Equity Compensation \$	Total \$
Richard Wadley	33,595	-	-	-	33,595
	<u>33,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,595</u>

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

**e. Remuneration options
2008 Nil (2007 :Nil)**

**f. Shares issued on exercise of remuneration options
2008 Nil (2007 :Nil)**

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

g. Options and rights holdings

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

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

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

2007	Balance 1/1/07	Granted as remuneration	Options exercised	Net change other ²	Balance 31/12/07	Total vested 31/12/07	Total exercisable 31/12/07	Total unexercisable 31/12/07
Economic & Parent Entity Directors								
Robin Beaumont	525,000	-	-	-	525,000	525,000	525,000	-
Martin Soust	800,229	-	-	-	800,229	800,229	800,229	-
George Weber	500,000	-	-	-	500,000	500,000	500,000	-
Ian Cooke ³	-	-	-	-	-	-	-	-
Total	1,825,229	-	-	-	1,825,229	1,825,229	1,825,229	-

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

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

h. Shareholdings

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

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

¹ Dr Martin Soust resigned from the Company on August 31, 2008

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

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

2007	Balance 1/1/07	Received as remuneration	Options exercised	Net change other ¹	Balance 31/12/07
Economic & Parent Entity Directors					
Robin Beaumont	4,274,873	-	-	350,127	4,625,000
Martin Soust	798,124	-	-	-	798,124
George Weber	480,000	-	-	(120,000)	360,000
Ian Cooke	56,000	-	-	-	56,000
Total	5,608,997	-	-	230,127	5,839,124

¹ The net change other reflected above includes those shares issued during the year under review via new equity issue, other than for remuneration, or traded on market.

i. Compensation practices

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

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

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

Note 6 Auditors' remuneration

	Economic Entity 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
Remuneration of the auditor of the parent entity for:				
- an audit or review of the financial report	30,545	34,000	30,545	34,000
- taxation services	9,403	12,523	9,403	12,523
	39,948	46,523	39,948	46,523

Note 7 Earnings per share

	Economic Entity 2008 Cents	2007 Cents
Basic earnings/(loss) per share	(0.45)	(0.54)
Diluted earnings/(loss) per share	(0.45)	(0.54)
	2008 \$	2007 \$
a. Reconciliation of Earnings to Net Profit or Loss		
Net loss	(1,161,135)	(1,321,460)
Net loss attributable to minority equity interest	-	-
Earnings used in the calculation of basic & dilutive EPS	(1,161,135)	(1,321,460)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	255,350,452	246,400,035

Note 8 Cash and cash equivalents

	Economic Entity 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
Cash at bank	461,818	1,639,337	453,243	1,642,311
	461,818	1,639,337	453,243	1,642,311

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 9 Trade and other receivables

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Trade debtors	1,423	-	1,423	-
Less provision for doubtful debts	-	-	-	-
	<u>1,423</u>	<u>-</u>	<u>1,423</u>	<u>-</u>
Goods and services tax	18,539	45,965	18,539	43,458
Other debtors	336,552	368,510	336,552	8,808
	<u>356,514</u>	<u>414,475</u>	<u>356,514</u>	<u>52,266</u>
Non-current				
Amounts receivable from:				
- Subsidiary entities	-	-	3,419,517	3,754,824
Less provision for impairment	-	-	(3,419,517)	(3,754,824)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 10 Financial assets

		Economic Entity		Parent Entity	
		2008	2007	208	2007
		\$	\$	\$	\$
Non-current					
Unlisted investments:					
Shares in controlled entities, at cost	11	-	-	11,005,923	11,005,923
Less provision for impairment of investments		-	-	(11,005,923)	(11,005,923)
Shares in other corporations, at cost		100,000	100,000	100,000	100,000
Less provision for impairment of investments		(100,000)	(100,000)	(100,000)	(100,000)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 11 Controlled entities

	Country of Incorporation	Principle Activity	Percentage Owned (%)	
			2008	2007
Parent Entity				
Select Vaccines Limited	Australia	Investment		
Subsidiaries of Select Vaccines Limited				
Hepgenics Pty Ltd	Australia	Medical Research	100	100
Picoral Pty Ltd	Australia	Medical Research	100	100

Note 12 Plant and equipment

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Plant & equipment				
At cost	114,136	114,136	56,287	56,287
Accumulated depreciation	(82,360)	(73,037)	(52,992)	(49,470)
	<u>31,776</u>	<u>41,099</u>	<u>3,295</u>	<u>6,817</u>
Office furniture				
At cost	6,825	6,825	6,825	6,825
Accumulated depreciation	(1,859)	(967)	(1,859)	(967)
	<u>4,966</u>	<u>5,858</u>	<u>4,966</u>	<u>5,858</u>
Total Plant and Equipment	<u>36,742</u>	<u>46,957</u>	<u>8,261</u>	<u>12,675</u>

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

a. Movements in Carrying Amounts

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Plant & equipment				
Balance at the beginning of year	41,099	47,607	6,817	7,539
Additions	-	3,588	-	3,588
Depreciation expense	(9,323)	(10,096)	(3,522)	(4,310)
Carrying amount at the end of year	<u>31,776</u>	<u>41,099</u>	<u>3,295</u>	<u>6,817</u>
Office furniture				
Balance at the beginning of year	5,858	6,744	5,858	6,744
Additions	-	-	-	-
Depreciation expense	(892)	(886)	(892)	(886)
Carrying amount at the end of year	<u>4,966</u>	<u>5,858</u>	<u>4,966</u>	<u>5,858</u>

Note 13 Other current assets

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Prepayments	-	25,771	-	25,771
	<u>-</u>	<u>25,771</u>	<u>-</u>	<u>25,771</u>

Note 14 Trade and other payables

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Trade creditors	45,138	132,522	45,137	117,599
Sundry creditors and accrued expenses	63,336	86,036	63,336	86,036
	<u>108,474</u>	<u>218,558</u>	<u>108,473</u>	<u>203,635</u>

Note 15 Provisions

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Employee entitlements	5,509	5,780	5,509	5,780
	<u>5,509</u>	<u>5,780</u>	<u>5,509</u>	<u>5,780</u>
Non-current				
Employee entitlements	381	357	381	357
	<u>381</u>	<u>357</u>	<u>381</u>	<u>357</u>
Movement				
Annual Leave				
Balance at the beginning of the year	5,780	4,379	5,780	4,379
Accrued annual leave	12,118	11,045	12,118	11,045
Utilised annual leave	(12,389)	(9,644)	(12,389)	(9,644)
Balance at the end of the year	<u>5,509</u>	<u>5,780</u>	<u>5,509</u>	<u>5,780</u>
Long Service Leave				
Balance at the beginning of the year	357	228	357	228
Accrued long service leave	24	129	24	129
Balance at the end of the year	<u>381</u>	<u>357</u>	<u>381</u>	<u>357</u>

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 16 Contributed equity

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Ordinary Shares fully paid	16a	33,830,996	33,830,996	33,830,996	33,830,996
Options	16b	2,437,911	2,437,911	2,437,911	2,437,911
		<u>36,268,907</u>	<u>36,268,907</u>	<u>36,268,907</u>	<u>36,268,907</u>

	Note	2008		2007	
		No. of Shares	\$	No. of Shares	\$
a. Movement in ordinary shares on issue					
At the beginning of the reporting period		255,350,452	33,830,996	220,832,380	32,761,114
Shares issued during the year	16a(i)	-	-	34,518,072	1,069,882
Transaction costs relating to share issues		-	-	-	-
At reporting date		<u>255,350,452</u>	<u>33,830,996</u>	<u>255,350,452</u>	<u>33,830,996</u>

(i)			2008		2007	
			Number	Issue Price \$		\$
	2008	No Shares or Options were issued during the year.	-	-	-	-
	2007	Details				
	15-February-2007	Payment to Chicago based BPR LLC for capital raising and licensing advice.	5,000,000	\$0.039	194,575	
	19-April-2007	Issue of ordinary shares to AVANT Immunotherapeutics Inc under a licensing deal to develop and commercialise influenza and other vaccine candidates.	29,518,072	\$0.037	875,307	
			<u>34,518,072</u>		<u>1,069,882</u>	

			2008		2007	
			No. of Options	\$	No. of Options	\$
b. Movements in options on issue						
At beginning of the reporting period			34,999,265	2,437,911	39,637,252	2,437,911
Issued during the year	16b(i)		-	-	3,000,000	-
Expired during the year	16b(ii)		(29,999,265)	-	(7,637,987)	-
At reporting date			<u>5,000,000</u>	<u>2,437,911</u>	<u>34,999,265</u>	<u>2,437,911</u>

(i)			2007		2007	
			Number	Issue Price \$		\$
	2007	Details				
	15-February-2007	Issue of free SLTOA options exercisable at \$.06 on or before 15 August 2011 - to consultants	3,000,000	\$0.000	-	-

	Consultants
Issue date	15/02/07
Share price	\$0.260
Exercise price	\$0.300
Implied volatility	34.0%
Option life	2.67 yrs
Expected dividends	Nil
Risk-free interest rate	5.2%
Escrow period	Nil
Adjustment for escrow	Nil
Adjustment for unlisted nature	5% pa

**SELECT VACCINES LIMITED 25 062 063 692
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(ii)	2008	Details	Number	Issue Price \$	\$
	30-October-2008	Expiration of unlisted SLTAQ options exercisable at \$0.30 on or before 30 October 2008	500,000	\$0.000	-
	31-May-2008	Expiration of unlisted SLTOA options exercisable at \$0.20 on or before 31 May 2008	23,479,265	\$0.000	-
	30-April-2008	Expiration of unlisted SLTAO options exercisable at \$0.30 on or before 30 April 2008	3,520,000	\$0.000	-
	29-April-2008	Expiration of unlisted SLTAU options exercisable at \$0.43 on or before 29 April 2008	1,000,000	\$0.000	-
	29-April-2008	Expiration of unlisted SLTAP options exercisable at \$0.30 on or before 31 May 2008	1,500,000	\$0.000	-
			<u>29,999,265</u>		<u>-</u>
	2007	Details	Number	Issue Price \$	\$
	01-February-2007	Expiration of unlisted SLTO options exercisable at \$0.80 on or before 1 February 2007	(7,637,987)	\$0.000	-
			<u>(7,637,987)</u>		<u>-</u>

Note 17 Operating lease commitments

	Economic Entity 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
a. Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
— not later than 1 year	1,430	1,430	1,430	1,430
— later than 1 year but not later than 5 years	-	-	-	-
— later than 5 years	-	-	-	-
	<u>1,430</u>	<u>1,430</u>	<u>1,430</u>	<u>1,430</u>

The property lease is a non-cancellable lease with a six-month term, with rent payable monthly in advance. An option exists to renew the lease at the end of the six-month term for an additional term of six months plus a further 12 months option.

Note 18 Contingent liabilities

Nil. (2007: Nil)

Note 19 Segment reporting

a) Primary reporting - Business segments

In early 2007 the group was re-structured and now only carries out medical research.

b) Secondary reporting — Geographical segments

The economic entity operates only in Australia.

c) The economic entity derived income from medical research.

**SELECT VACCINES LIMITED 25 062 063 692
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 20 Cash flow information

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. Reconciliation of cash flow from operations with loss				
Loss	(1,161,135)	(1,321,460)	(819,596)	(1,835,432)
Non-cash movements				
- Depreciation	10,215	10,982	4,413	5,197
- Interest on intercompany loans	-	-	-	-
- Write-back intercompany loans and impairment of shares	-	-	(335,306)	240,872
- Equity issued for nil consideration	-	-	-	-
- Impairment of assets	-	-	-	-
- Increase/(decrease) in impairment - investments	-	31,000	-	31,000
- (Profit)/loss of sale of Investments	-	-	-	-
Changes in assets & liabilities				
(Increases)/decreases in trade & other receivables	57,961	(354,060)	(304,248)	(39,631)
(Increases)/decreases in other current assets	25,771	8,167	25,771	8,167
Increases/(decreases) in trade & other payables	(110,084)	(346,002)	(95,162)	(141,224)
Increases/(decreases) in leave provisions	(247)	1,530	(247)	6,137
Cash flows from operations	<u>(1,177,519)</u>	<u>(1,969,843)</u>	<u>(1,524,375)</u>	<u>(1,724,914)</u>
b. Non-cash financing and investing activities				
Issue of shares and options for nil consideration.				
Refer to Note 16 Contributed Equity for further information.				
c. Reconciliation of cash				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash on hand and at bank	461,818	158,930	453,243	161,903
Bank Accepted Bills	-	1,480,407	-	1,480,408
	<u>461,818</u>	<u>1,639,337</u>	<u>453,243</u>	<u>1,642,311</u>

**SELECT VACCINES LIMITED 25 062 063 692
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 21 Employee share based payments under Share & Option Plan

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

No Options were issued during 2008.

The closing share market price of an ordinary share of Select Vaccines Limited on the Australian Stock Exchange at 31 December 2008 was \$0.007 (31 December 2007:\$0.02).

a. Movement in the number of share options held by employees/directors are as follows:

	Economic Entity		Parent Entity	
	2008 No.	2007 No.	2008 No.	2007 No.
Opening balance	2,450,000	2,450,000	2,450,000	2,450,000
Granted during the year	-	-	-	-
Exercised / Lapsed during the year	(2,450,000)	-	(2,450,000)	-
Closing balance	-	2,450,000	-	2,450,000

b. Details of share options outstanding as at end of year:

			Economic Entity		Parent Entity	
			2008 No.	2007 No.	2008 No.	2007 No.
Grant Date	Expiry and Exercise Date	Exercise Price				
29/04/2005	31/05/2008	\$0.30	-	1,000,000	-	1,000,000
7/04/2006	31/05/2008	\$0.30	-	500,000	-	500,000
11/07/2006	30/04/2008	\$0.30	-	950,000	-	950,000
			-	2,450,000	-	2,450,000

**SELECT VACCINES LIMITED 25 062 063 692
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 22 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company to affect significantly the operations of the entity, the results of those operations or the state of affairs of the entity in future financial years.

Note 23 Related party transactions

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
(i) Other related parties				
Loans to subsidiary companies	-	-	14,694	240,872
Loans from subsidiary companies			(350,000)	-
(ii) Identification of Related Parties				
Ultimate Parent Entity				
Select Vaccines Limited is the ultimate parent entity.				
Controlled entities				
Refer to note 11 for details of controlled entities.				
(iii) Key Management Personnel				
Details relating to key management personnel, including remuneration paid, are included in note 5.				
(iv) Loans from related parties included in equity.				

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 24 Financial Instruments

a. Interest rate risk

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

	Weighted average interest rate	Floating interest rate	Fixed interest 1 year or less	Maturing in 1-5 years	Non-interest bearing	Total
		\$	\$	\$	\$	\$
	2007	2007	2007	2007	2007	2007
Financial assets						
Cash and cash equivalents	6.64%	1,639,337	-	-	-	1,639,337
Trade and other receivables		-	-	-	45,965	45,965
Financial assets - non-current		-	-	-	-	-
Total financial assets		1,639,337	-	-	45,965	1,685,302
Financial liabilities						
Trade and other payables		-	-	-	218,558	218,558
Total financial liabilities		-	-	-	218,558	218,558

	Weighted average interest rate	Floating interest rate	Fixed interest 1 year or less	Maturing in 1-5 years	Non-interest bearing	Total
		\$	\$	\$	\$	\$
	2008	2008	2008	2008	2008	2008
Financial assets						
Cash and cash equivalents	3.50%	461,818	-	-	-	461,818
Trade and other receivables		-	-	-	19,962	19,962
Financial assets - non-current		-	-	-	-	-
Total financial assets		461,818	-	-	19,962	481,780
Financial liabilities						
Trade and other payables		-	-	-	108,474	108,474
Total financial liabilities		-	-	-	108,474	108,474

b. Credit risk

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

c. Net fair values

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

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

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

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

	2008		2007	
	Carrying amount	Net fair value	Carrying amount	Net fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	461,818	461,818	1,639,337	1,639,337
Trade and other receivables	19,962	19,962	45,965	45,965
Financial assets	-	-	-	-
	481,780	481,780	1,685,302	1,685,302
Financial liabilities				
Trade and other payables	108,474	108,474	218,558	218,558
	108,474	108,474	218,558	218,558

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Note 25 Change in Account Policy

The following Australian Accounting Standards have been issued or amended and are applicable to the company but are not yet effective. They have not been adopted in preparation of the financial statements at the reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application date of Standard	Application date for Company
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of recognised income and expenditure.	1/01/2009	1/01/2009
AASB 101	AASB 101	As Above.	1/01/2009	1/01/2009

Note 26 Company details

The registered office of the Company is:

Select Vaccines Limited
Suite 15
545 St Kilda Road
Melbourne Victoria 3004

The principal place of business is:

Select Vaccines Limited
Suite 15
545 St Kilda Road
Melbourne Victoria 3004

**SELECT VACCINES LIMITED 25 062 063 692
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 16 to 37, are in accordance with the Corporations Act 2001:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 31 December 2008 and of the performance for the year ended on that date of the Company and economic entity.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the Company for the year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Robin Beaumont
Chairman

Shane Allan
Director

Dated this 27 th day of February 2009