

CELLMID LIMITED

Appendix 4E

Preliminary final report

Details of reporting period

ABN or equivalent company reference	69 111 304 119
Financial year end ("current period")	30 June 2016
Previous corresponding period	30 June 2015

Results for announcement to market

Financial Results				June 2016
				\$
Revenue and other income	Up	55.38%	to	4,611,108
(Loss) after tax attributable to members	Up	4.84%	to	(3,498,916)
Net loss attributable to members	Up	4.84%	to	(3,498,916)

Dividends

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

Earnings/(loss) per share	June 2016	June 2015
Basic and diluted loss per ordinary share	(0.38) cents	(0.43) cents

Net tangible asset backing	June 2016	June 2015
Net tangible asset backing per ordinary share	0.27 cents	0.24 cents

Other explanatory notes

The consolidated loss for the Group increased by 4.84% to \$3,498,916 after providing for income tax (2015: \$3,337,348 loss). This was primarily due to an increase in product development expenditure for the Group's US product range, manufacturing costs for the new évolis® professional products and an increase in sales and marketing activity.

Total revenue and other income increased by 76.32% to \$3,489,546 for the reporting period, not including the R&D tax credit of \$1,121,562. In 2015 total revenue and other income was \$1,979,111 and an R&D tax credit of \$988,451 was received.

For further information refer to the review of operations and financial performance contained in the Director's report.

Audit

The financial statements on which this preliminary financial report is based has been audited.

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

Cellmid Limited

ABN 69 111 304 119

Financial Report

For the Year Ended 30 June 2016

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The Directors present their report, together with the financial statements of the Group, being Cellmid Limited (“the Company”) and the entities it controlled, for the financial year ended 30 June 2016.

1. GENERAL INFORMATION

Information on Directors

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

Dr David King	Chairman (Non-executive)
Qualifications	PhD in Seismology, Australian National University, Fellow of The Australian Institute of Company Directors, Fellow of the Australian Institute of Geoscientists
Experience	Experience as Chairman, Executive and Non-executive Director in high growth companies, across a variety of sectors, and particularly in governance issues in publicly listed companies.
Interest in shares and options	Shares: 22,500,000 indirectly held Options: 11,250,000 (Expiry: 23 October 2016, exercisable at \$0.034 each) indirectly held Options: 4,000,000 (Expiry: 19 November 2018, exercisable at \$0.06 each) indirectly held
Special responsibilities	Member of the Audit Committee and member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	Current directorships - Galilee Energy Limited and African Petroleum Corporation. Previous directorships – Robust Resources Limited, Republic Gold Limited and Tengri Resources Limited
Ms Maria Halasz	Managing Director (Chief Executive Officer)
Qualifications	MBA, BSc in Microbiology, University of Western Australia, Graduate of the Australian Institute of Company Directors
Experience	22 years experience in biotechnology working in executive positions in private and public biotechnology firms, then managing investment funds and later holding senior positions in corporate finance specialising in life sciences.
Interest in shares and options	Shares: 1,554,375 directly held Shares: 12,000,000 directly held in voluntary escrow Shares: 10,668,225 indirectly held Options: 1,500,000 (Expiry: 23 October 2016, exercisable at \$0.034 each) indirectly held Options: 5,000,000 (Expiry: 15 June 2017, exercisable at \$0.032 each) indirectly held
Special responsibilities	Managing Director and Chief Executive Officer
Other directorships in listed entities held in the previous three years	None

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Mr Bruce Gordon	Director (Non-executive) (Appointed 1 July 2015)
Qualifications	BA, Macquarie University, Fellow of The Institute of Chartered Accountants Australia and New Zealand, Fellow of The Australian Institute of Company Directors
Experience	An audit and corporate finance specialist, and an experienced finance professional with a career spanning more than 35 years advising and providing financial services to private and publicly listed companies as well as subsidiaries of large multinationals.
Interest in shares and options	Shares: 500,000 indirectly held Options: 2,000,000 (Expiry: 19 November 2018, exercisable at \$0.06 each) indirectly held
Special responsibilities	Chairman of the Audit Committee and member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	None
Other	Former partner of BDO East Coast Partnership, resigned on 30 June 2014. Both Cellmid Limited and BDO East Coast Partnership have confirmed that Mr Gordon's appointment satisfies the independence requirements of the Corporations Act.

Dr Fintan Walton	Director (Non-executive) (Appointed 21 July 2015)
Qualifications	PhD, Genetics, Trinity College Dublin
Experience	Founder and CEO of PharmaVentures Ltd, a UK based corporate advisory firm that provides advice on all aspects of corporate transactions, business brokering, mergers and acquisitions and licensing deals to a diversified global network.
Interest in shares and options	Shares: 300,000 directly held Options: 2,000,000 (Expiry: 19 November 2018, exercisable at \$0.06 each) directly held
Special responsibilities	Member of the Audit Committee and member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	None

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

Company Secretary

Mrs Aliceson Rourke	Appointed 1 November 2015
Qualifications	B.Com, University of Wollongong, Graduate Diploma of Applied Corporate Governance, Member of The Institute of Chartered Accountants Australia and New Zealand.
Experience	Experienced Chartered Accountant and Company Secretary. Extensive experience in all aspects of public company finance, administration and governance including listings on the Australian Stock Exchange, public capital raisings, and capital restructures, mergers and acquisitions.
Mrs Lucy Rowe	Ceased 1 November 2015
Qualifications	BA, University of Sydney, Grad. Dip Legal Studies, University of New South Wales and PS146 Securities Advisor Accreditation
Experience	Mrs Rowe worked in the financial services sector until 2005 when she joined New Guinea Energy Ltd. Since its incorporation has held various roles including Investor Relations Manager and Company Secretary until August 2015.

Principal activities and significant changes in nature of activities

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

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

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

2. OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR**Operating results**

The consolidated loss for the Group increased by 4.84% to \$3,498,916 after providing for income tax (2015: \$3,337,348 loss). This was primarily due to an increase in product development expenditure for the Group's US product range, manufacturing costs for the new évolis® professional products and an increase in sales and marketing activity. Total revenue and other income increased by 76.32% to \$3,489,546 for the reporting period, not including the R&D tax credit of \$1,121,562. In 2015 total revenue and other income was \$1,979,111 and an R&D tax credit of \$988,451 was received.

Review of operations

The Group closed a successful FY2016 for the Consumer Health Business in Australia and Japan and commenced product development for the USA market. In Australia, it has increased its pharmacy distribution and broadened its product offerings including new products for the professional and salon market. Japanese distribution channels have grown from hair salon and direct marketing to include television shopping channel (QVC Japan) and various retail channels.

Further development milestones have been achieved in the Group's midkine related businesses, Lyramid and Kinera, with the completion of the first ever toxicology study with a midkine (MK) inhibitor, the Group's humanised antibody CAB102. Cell line and process development have been completed in a non-GMP environment, and CAB102 was produced in sufficient quantities for single and multi-dose toxicology studies. The Group is continued its clinical planning for its CAB102 and MK protein human studies.

i. Consumer Health Business – Increased distribution and sales growth in Australia and Japan

The Consumer Health Business was set up to commercialise over the counter hair growth products based on the FGF5 inhibition technology developed by Advangen Inc. (Japan). With the acquisition of Advangen Inc. (Japan) in May 2013, the Group became the owner of global rights for the technology.

In Australia the Group has developed a new évolis® professional branded salon range with 13 SKUs (Stock Keeping Units). The range includes anti-aging, damage protection and colour protection products, all with the Group's proprietary FGF5 inhibitors. The Group transitioned all previous FGF5 inhibitor brands to the évolis® professional brand in Australia.

In Japan the Group's sales increased significantly as a result of several television shopping campaigns and broadening retail channels.

Global business development activities increased during the period and the Group is currently engaged in distribution and licensing discussions with potential partners in several territories. In preparation for entry into overseas markets, the Group has invested significant funds into product development activities and completed the product offerings for the USA, where it formed a distribution partnership with Colour Collective after the closing of the reporting period.

ii. Midkine Businesses, Lynamid and Kinera**Progress in preclinical product development and manufacturing**

During the reporting period the Group set up two wholly owned subsidiary companies to exploit its MK intellectual property, Lynamid and Kinera.

Lynamid is responsible for the commercialisation of the Group's anti-MK antibody portfolio with a focus on inflammatory conditions, fibrosis and cancer. Kinera is focused on developing therapeutics for ischemic conditions of the heart and brain. The Group has expanded on a number of its research collaborations including the program with Complutense University and the bone healing program with Ulm University.

iii MK Diagnostic Program

The Group's licensee, Pacific Edge Limited continued to make significant progress towards commercialisation of their CxBladder® bladder cancer test during the reporting period. Fujikura Kasei, the Group's second licensee has progressed to clinical development of its latex based diagnostic test with the Group's MK antibodies and other diagnostic partnerships and internal diagnostic programs are continuing.

a) Pacific Edge Limited – continued commercialisation of CxBladder® in the USA with MK as one of the biomarkers

The Group signed a license agreement with Pacific Edge Limited in 2010 for the use of the Group's MK marker as one of the biomarkers in CxBladder®, a bladder cancer diagnostic test. In FY2014 the Group received a milestone payment after the launch of the test in the USA.

In FY2015 the Group received its first royalty on sales of \$67,778 and received a further royalty of \$155,287 in FY2016. Pacific Edge advised that they also commenced South East Asian activities in addition to sales in the USA.

b) Celera-Quest license

The Group signed a license agreement with Celera-Quest in October 2009 for the use of MK in their lung cancer diagnostic test. The Group received an upfront payment at the time of signing, and a milestone payment may become payable by Celera-Quest at the time of regulatory clearance and royalties on sales. During the reporting period Celera-Quest has not given the Group a formal report on their activities.

Pursuant to the license agreement Celera-Quest had until 31 October 2014 to commercialise their lung cancer blood test with MK included on an exclusive basis. After that date the Group has the right to terminate exclusivity at any time, however Celera-Quest will maintain their ability to use MK on a non-exclusive basis. The Group did not exercise its right to terminate Celera-Quest's exclusivity during the reporting period, and received no further update from Celera-Quest on the program during FY2016.

c) Fujikura Kasei option to license

The Group signed an Option to License Agreement with Fujikura Kasei for the exclusive supply of the Group's proprietary MK antibodies for validation in Fujikura's latex diagnostic platform in FY2013. The agreement provided that Fujikura will proceed to exercise its option to license subject to reaching the minimum 500 picogram/ml limit of detection. The validation program was completed successfully and Fujikura Kasei exercised its option to license in FY2014. Since then Fujikura Kasei has continued development of their latex diagnostic test and has continued its clinical studies. The Group is actively assisting Fujikura Kasei to complete clinical validation of its diagnostic test.

Intellectual property update

The Group has a large and valuable patent portfolio which consists of 76 patents across 16 patent families. Of these, 62 patents have been granted, 12 filed or under examination, one in PCT (Patent Cooperation Treaty) and one in provisional filing stage. The Group has received two new grants during the reporting period and one new patent was filed. The Japanese patent office granted the Group's application for its MK patent for the treatment of hair loss in November 2015. The Group's US patent entitled "Antibody recognising C-Domain of MK" was granted in October 2015.

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3. FINANCIAL REVIEW

Financial position

The net assets of the Group at 30 June 2016 were \$4,690,050 (\$3,773,909 at 30 June 2015) while current assets increased to \$5,131,104 (\$4,173,616 at 30 June 2015). The Directors believe that the Group is in a stable financial position in order to carry out its current operations.

4. OTHER ITEMS

Significant changes in state of affairs

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

Dividends paid or recommended

The Company has not paid or declared any dividends during the financial year (2015: Nil).

Events since the end of the financial year

On 20 July 2016, the Group announced that it has entered into a distribution partnership with Colour Collective for the US launch of its evolvis®, branded hair care products. The US distribution partnership will provide the Group with an accelerated, direct route to the sales channels that have proven successful in Australia and Japan during the Group's proof of concept rollout. These include e-commerce and sampling channels for rapid consumer acquisition, home shopping networks and high-end retail stores. USA sales are expected to commence in 2016 through e-commerce channels with distribution to high-end retail and other direct consumer opportunities to follow in 2017.

On 22 July 2016, the Group announced that Ikon Communications Pty Ltd (Ikon) had filed a claim for \$939,055 pursuant to the services agreement entered into between Advangen International Pty Ltd (Advangen) and Ikon on the 15 June 2015. Advangen intends to vigorously defend its position that Ikon has breached the services agreement, failed to provide certain services at all or adequately and engaged in misleading and dishonest conduct that has caused the Group loss and damage. Advangen intends to file a cross claim for payments made for services not provided or properly provided by Ikon and seek security for costs.

Apart from the matters noted above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

The Group is focused on developing both its Consumer Health and midkine related businesses in the coming year. Maximizing market penetration for the Groups' FGF5 inhibitor hair loss products in Australia and internationally will be the focus of the Consumer Health business. The Group will also continue to progress its midkine assets in its dedicated wholly owned subsidiaries, Lyramid and Kinera.

Environmental regulations

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

Proceedings on behalf of the Company

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

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Indemnification and insurance of officers and auditors

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

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

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

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

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

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

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important and relevant where the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board. There were no additional services provided by BDO during the year.

SIC class order 98/100 rounding of amounts

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

Meetings of Directors

Five meetings of the Directors were held during the financial year. Attendances by each Director during the year were as follows:

	Directors' Meetings		Audit Committee		Nomination and Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr David King	5	5	4	4	-	-
Ms Maria Halasz	5	5	-	4*	-	-
Mr Bruce Gordon	5	5	4	4	-	-
Dr Fintan Walton	5	5	4	4	-	-

* by invitation

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Shares under option

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

	Expiry date	Exercise Price	Number under option
Listed options	23 October 2016	\$ 0.034	290,542,770
Unlisted options	15 November 2016	\$ 0.030	3,971,962
Unlisted options	15 June 2017	\$ 0.032	5,000,000
Unlisted options	14 August 2017	\$ 0.034	1,440,000
Unlisted options	1 August 2018	\$ 0.040	4,000,000
Unlisted options	1 August 2018	\$ 0.050	4,000,000
Unlisted options	1 August 2018	\$ 0.060	10,000,000
Unlisted options	19 November 2018	\$ 0.060	11,500,000
Unlisted options	19 November 2018	\$ 0.031	500,000
			330,954,732

No shares were issued on the exercise of options during the financial year ended 30 June 2016. No further shares have been issued on exercise of options since 30 June 2016.

12,000,000 shares are held in escrow and unpaid at 30 June 2016 (2015: 12,000,000 shares). 600,000 options lapsed during the financial year ended 30 June 2016 (2015: 14,602,006 options).

5. REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration agreements for the Group in accordance with the requirements of the Corporations Act 2001 and its regulations.

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

The key management personnel of the Group for the year consisted of the following Directors of Cellmid Limited:

Name of Director	Position	Date Appointed	Date Ceased
Dr David King	Non-executive Chairman	18 January 2008	Current
Mr Bruce Gordon	Non-executive Director	1 July 2015	Current
Dr Fintan Walton	Non-executive Director	21 July 2015	Current
Ms Maria Halasz	CEO and Managing Director	14 April 2007	Current

Principles used to determine the nature and amount of remuneration

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

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

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

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

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Group performance and link to remuneration

No performance based bonus or incentive payments are in place, however Maria Halasz has loan shares that are conditional on key milestones being achieved. These milestones are detailed in the equity-based compensation section of this remuneration report.

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

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

	\$ 2016	\$ 2015	\$ 2014	\$ 2013	\$ 2012
Revenue	3,388,902	1,969,363	1,150,931	541,649	132,826
EBITDA	(3,169,853)	(3,202,134)	(2,165,345)	(2,341,372)	(2,702,954)
EBIT	(3,331,466)	(3,333,472)	(2,277,485)	(2,358,006)	(2,714,373)
Loss after income tax	(3,498,916)	(3,337,348)	(1,480,836)	(1,541,307)	(1,972,483)

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

	\$ 2016	\$ 2015	\$ 2014	\$ 2013	\$ 2012
Share price at financial year end	0.03	0.03	0.02	0.02	0.02
Total dividends declared	-	-	-	-	-
Basic earnings per share	(0.38)	(0.43)	(0.21)	(0.27)	(0.46)

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

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

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of Non-executive directors shall be determined from time to time by a general meeting of shareholders. At the general meeting of shareholders in 2005, the maximum amount was set at \$300,000 per annum. In 2016, the Group paid Non-executive directors a total of \$222,757 (\$175,925 in 2015).

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

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Executive remuneration

Objective

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

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

Structure

A policy of the Board is the establishment of employment or consulting contracts with the Chief Executive Officer and other senior executives. Remuneration consists of fixed remuneration under an employment or consultancy agreement and may include long term equity-based incentives that are subject to satisfaction of performance conditions. Details of these performance conditions are outlined in the equity based payments section of this remuneration report. The equity-based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of Group-wide and individual performance, relevant comparative remuneration in the market, and internal and (where appropriate) external advice on policies and practices.

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

Remuneration policy and performance

Other than the Chief Executive Officer, Ms Halasz, none of the other executive's remuneration is at risk' remuneration. Refer below for further information on Ms Halasz's remuneration.

Remuneration details for the year ended 30 June 2016

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

	Short-term benefits		Long-term benefits	Post-employment benefits	Share based payments	Total
	Cash salary fees	Employee entitlements	Employee entitlements	Superannuation	Options	
2016	\$	\$	\$	\$	\$	\$
Directors						
Non-executive directors						
David King	65,000	-	-	6,175	27,200	98,375
Bruce Gordon	50,000	-	-	-	13,600	63,600
Fintan Walton	47,182	-	-	-	13,600	60,782
Total non-executive directors	162,182	-	-	6,175	54,400	222,757
Executive directors and key management						
Maria Halasz	400,000	26,401	13,762	38,000	73,667	551,830
	562,182	26,401	13,762	44,175	128,067	774,587

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	Short-term benefits		Long-term benefits	Post-employment benefits	Share based payments	Total
	Cash salary fees	Employee entitlements	Employee entitlements	Superannuation	Options	
2015	\$	\$	\$	\$	\$	\$
Directors						
Non-executive directors						
David King	65,000	-	-	6,175	-	71,175
Graeme Kaufman	50,000	-	-	4,150	-	54,750
Martin Rogers	50,000	-	-	-	-	50,000
Total non-executive directors	165,000	-	-	10,925	-	175,925
Executive directors and key management						
Maria Halasz	400,000	23,961	12,511	38,000	73,467	547,939
	565,000	23,961	12,511	48,925	73,467	723,864

Mr Bruce Gordon was appointed as a Director on 1 July 2015 and Dr Fintan Walton was appointed as a Director on 21 July 2015. Mr Graeme Kaufman and Mr Martin Rogers resigned on 30 June 2015.

KMP shareholdings

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

	Balance at beginning of year	Received as part of remuneration	Other changes	Balance at end of year
2016				
David King	22,500,000	-	-	22,500,000
Maria Halasz	23,270,000	-	952,600	24,222,600
Bruce Gordon	500,000	-	-	500,000
Fintan Walton	-	-	300,000	300,000
2015				
David King	22,500,000	-	-	22,500,000
Maria Halasz	22,500,000	-	770,000	23,270,000
Graeme Kaufman	-	-	-	-
Martin Rogers	5,155,700	-	-	5,155,700

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KMP option holdings

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

	Balance at beginning of year	Acquired	Expired/ forfeited	Received as part of 2016 remuneration	Balance at end of year	Vested and exercisable at end of year
2016						
David King	11,250,000	-	-	4,000,000	15,250,000	15,250,000
Maria Halasz	6,500,000	-	-	-	6,500,000	6,500,000
Bruce Gordon	-	-	-	2,000,000	2,000,000	2,000,000
Fintan Walton	-	-	-	2,000,000	2,000,000	2,000,000
	Balance at beginning of year	Acquired	Expired/ forfeited	Received as part of 2015 remuneration	Balance at end of year	Vested and exercisable at end of year
2015						
David King	11,250,000	-	-	-	11,250,000	11,250,000
Maria Halasz	13,500,000	-	(7,000,000)	-	6,500,000	6,500,000
Graeme Kaufman	-	-	-	-	-	-
Martin Rogers	44,000,000	-	-	-	44,000,000	44,000,000

Relationship between remuneration policy and company performance

The proportion of remuneration linked to performance and the proportion that is fixed is as follows:

	Fixed remuneration		At risk STI		At risk LTI	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Directors						
David King	100.00	100.00	-	-	-	-
Maria Halasz	86.65	86.59	-	-	13.35	13.41
Bruce Gordon	100.00	-	-	-	-	-
Fintan Walton	100.00	-	-	-	-	-
Graeme Kaufman	-	100.00	-	-	-	-
Martin Rogers	-	100.00	-	-	-	-

Service agreements

The Chief Executive Officer, Maria Halasz, is an employee of the Group under an agreement signed on 21 September 2007. Under the terms of this contract:

- Ms Halasz may resign from her position and thus terminate this contract by giving six months' written notice. On resignation any unvested options will be forfeited.
- The Group may terminate the employment agreement by providing six months' written notice or providing payment in lieu of the notice period (based on the fixed component of Ms Halasz's remuneration).
- The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause, any unvested options will immediately be forfeited.
- Ms Halasz's employment agreement provides for issuing performance incentives subject to the discretion of the Board. During the 2016 financial year there has been no performance incentive issued to Ms Halasz.

Equity-based compensation

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

	Options Granted & Vested in 2016	Value of options at grant date	Value of shares expensed in 2016	Proportion of remuneration
Share-based payments	No	\$	\$	%
Directors				
David King ¹	4,000,000	27,200	27,200	27.65
Maria Halasz ²	-	-	73,667	13.35
Bruce Gordon ¹	2,000,000	13,600	13,600	21.38
Fintan Walton ¹	2,000,000	13,600	13,600	22.37

	Options Granted & Vested in 2015	Value of options at grant date	Value of shares expensed in 2015	Proportion of remuneration
Share-based payments	No	\$	\$	%
Directors				
David King	-	-	-	-
Maria Halasz ²	-	-	73,467	13.41
Graeme Kaufman	-	-	-	-
Martin Rogers	-	-	-	-

1. On 19 November 2015, 8,000,000 unlisted options were granted to Directors under the Cellmid Limited and Controlled Entities Employee Incentive Plan and as approved by shareholders at the annual general meeting on 12 November 2015. The options have an exercise price of \$0.06 per share, and expire three years from the date of grant with no performance or vesting conditions attached to the options.

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

The fair value of the options at the date of grant was \$54,400.

No equity-based compensation in the form of options over ordinary shares were issued during the year ended 30 June 2015.

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

Tranche	Vesting date	Shares	Vesting Conditions
1	25/11/2016	4,000,000	Shares will vest at any time before the vesting date when the Group's operating revenue reaches a total of \$4,000,000 over any consecutive 12 months. The fair value at the date of grant was \$73,200. The conditions in relation to this tranche have been met.
2	25/11/2016	4,000,000	Shares will vest at any time before the vesting date subject to the first patient being recruited into the Group's planned midkine antibody trial. The fair value at the date of grant was \$73,200.
3	25/11/2016	4,000,000	Shares will vest at any time before the vesting date subject to the signing of one of the following agreements for the Group's consumer health products in a territory outside of Australia and Japan: (a) a diagnostic or therapeutic licence; or (b) a distribution agreement. The fair value at the date of grant was \$73,300. The conditions in relation to this tranche have been met.

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The effect of the arrangement is akin to an option. The value of the shares at the date of grant was \$0.0183 per share.

Loans to directors and other members of key management personnel

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

This concludes the remuneration report which has been audited.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and can be found on page 54 of the financial report.

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

Director:



Dr David King

Dated this 30th day of August 2016

Corporate Governance

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Cellmid Limited and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd edition ('the ASX Principles') are applicable for financial years commencing on or after 1 July 2014, consequently for the Group's 30 June 2016 year end. As a result, the Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report.

The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company's website at <http://www.cellmid.com.au>.

The Group's Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

		Consolidated	
		2016	2015
	Note	\$	\$
Revenue	3	3,120,367	1,842,804
Other revenue	3	268,535	126,559
Other income	3	1,222,206	998,199
		<u>4,611,108</u>	<u>2,967,562</u>
Less Expenditure			
Manufacturing sales expense		(1,219,849)	(671,698)
Advertisement and marketing expense		(1,976,282)	(411,455)
Bad debts expense		(6,411)	(18,890)
Consultancy expense		(222,337)	(181,037)
Conference and meetings expense		(207,436)	(44,674)
Communication expense		(84,248)	(98,561)
Depreciation and amortisation expense		(161,613)	(131,338)
Employee benefits expense		(2,240,356)	(2,140,147)
Finance costs		(195,914)	(27,809)
Loss on foreign exchange		-	(8,441)
Occupancy expense		(214,568)	(210,584)
Professional fees		(315,933)	(164,754)
Research and development expense		(354,881)	(1,302,009)
Share-based compensation		(176,123)	(82,990)
Subscription expense		(96,007)	(84,507)
Travel expense		(273,710)	(235,304)
Other expenses		(353,311)	(487,349)
		<u>(3,487,871)</u>	<u>(3,333,985)</u>
Loss before income tax expense	4	(3,487,871)	(3,333,985)
Income tax expense	5	(11,045)	(3,363)
		<u>(3,498,916)</u>	<u>(3,337,348)</u>
Loss for the year after income tax		(3,498,916)	(3,337,348)
Other comprehensive income, net of income tax			
<i>Items that will be reclassified to profit or loss when specific conditions are met</i>			
Exchange differences on translating foreign controlled entities		461,342	89,062
		<u>461,342</u>	<u>89,062</u>
Total comprehensive income for the year		(3,037,574)	(3,248,286)
Loss for the year attributable to:			
Owners of Cellmid Limited		<u>(3,498,916)</u>	<u>(3,337,348)</u>
Total comprehensive income for the year attributable to:			
Owners of Cellmid Limited		461,342	89,062
		<u>(3,037,574)</u>	<u>(3,248,286)</u>
Earnings per share for loss attributable to the owners of Cellmid Limited			
Basic earnings per share (cents)	8	(0.38)	(0.43)
Diluted earnings per share (cents)	8	(0.38)	(0.43)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Statement of Financial Position
As at 30 June 2016**

	Note	Consolidated	
		2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	2,686,329	1,582,899
Trade and other receivables	10	298,339	618,647
Inventories	11	2,009,792	1,727,460
Other assets	12	136,644	244,610
TOTAL CURRENT ASSETS		5,131,104	4,173,616
NON-CURRENT ASSETS			
Plant and equipment	13	69,017	74,989
Intangible assets	14	2,214,693	1,898,942
TOTAL NON-CURRENT ASSETS		2,283,710	1,973,931
TOTAL ASSETS		7,414,814	6,147,547
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	1,434,443	1,004,343
Loans and borrowings	16	802,177	1,070,639
Employee provisions	17	223,001	206,836
TOTAL CURRENT LIABILITIES		2,459,621	2,281,818
NON-CURRENT LIABILITIES			
Employee provisions	17	68,336	62,549
Loans and borrowings	16	196,807	29,271
TOTAL NON-CURRENT LIABILITIES		265,143	91,820
TOTAL LIABILITIES		2,724,764	2,373,638
NET ASSETS		4,690,050	3,773,909
EQUITY			
Issued capital	18	32,426,826	28,701,311
Reserves	19	2,542,799	1,853,257
Accumulated losses		(30,279,575)	(26,780,659)
TOTAL EQUITY		4,690,050	3,773,909

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity
For the Year Ended 30 June 2016**

	Note	Issued Capital \$	General Reserve \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Consolidated							
Balance at 1 July 2015		28,701,311	(131,941)	1,860,777	124,421	(26,780,659)	3,773,909
Loss for the year after income tax		-	-	-	-	(3,498,916)	(3,498,916)
Other comprehensive income	19	-	-	-	461,342	-	461,342
Total comprehensive income for the year, net of tax		-	-	-	461,342	(3,498,916)	(3,037,574)
Transactions with equity holders							
Share based payments	19	-	-	176,123	-	-	176,123
Shares issued during the year - net of transaction costs	18	3,725,515	-	-	-	-	3,725,515
Equity value of loan – net of transaction costs	19	-	52,077	-	-	-	52,077
Balance at 30 June 2016		32,426,826	(79,864)	2,036,900	585,763	(30,279,575)	4,690,050
Consolidated							
Balance at 1 July 2014		27,401,832	(131,941)	1,801,787	35,359	(23,443,311)	5,663,726
Loss for the year after income tax		-	-	-	-	(3,337,348)	(3,337,348)
Other comprehensive income		-	-	-	89,062	-	89,062
Total comprehensive income for the year, net of tax		-	-	-	89,062	(3,337,348)	(3,248,286)
Transactions with equity holders							
Share based payments	19	100,000	-	82,990	-	-	182,990
Shares issued during the year - net of transaction costs	18	1,175,479	-	-	-	-	1,175,479
Shares issued during the year – other	19	24,000	-	(24,000)	-	-	-
Balance at 30 June 2015		28,701,311	(131,941)	1,860,777	124,421	(26,780,659)	3,773,909

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the Year Ended 30 June 2016

		Consolidated	
		2016	2015
Note		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
	Receipts from customers	3,803,555	1,599,534
	Payments to suppliers and employees	(7,402,022)	(5,729,738)
	Interest received	39,509	27,296
	Grant income	1,121,562	988,451
	Finance costs	(111,316)	(8,907)
	Net cash used in operating activities	(2,548,712)	(3,123,364)
20			
CASH FLOWS FROM INVESTING ACTIVITIES:			
	Purchase of non-current assets	(32,928)	(60,929)
	Net cash (used in) / provided by investing activities	(32,928)	(60,929)
CASH FLOWS FROM FINANCING ACTIVITIES:			
	Proceeds from issue of shares (net of share issue costs)	3,725,515	1,175,479
	Proceeds from Loans and borrowings	962,800	1,099,910
	Repayments of Loans and borrowings	(1,044,009)	-
	Net cash provided by financing activities	3,644,306	2,275,389
	Net (decrease) / increase in cash and cash equivalents held	1,062,666	(908,904)
	Cash and cash equivalents at beginning of financial year	1,582,899	2,501,753
	Effect of exchange rate changes	40,764	(9,950)
	Cash and cash equivalents at end of financial year	2,686,329	1,582,899
9			

The above Statement of Cashflows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the Year Ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

Cellmid Limited is a public company, listed on the Australian Stock Exchange, limited by shares and incorporated and domiciled in Australia.

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

The financial statements cover Cellmid Limited as a Group, consisting of Cellmid Limited and the entities it controlled at the end of, or during the year.

The financial statements were authorised for issue by the directors on 30th August 2016.

Basis of Preparation

Historical Cost Convention

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

Critical Accounting Estimates

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

Parent Entity Information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Group only. Supplementary information about the parent entity is included in Note 2.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The Group has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

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

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

The Group has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The Group has applied Parts A to C of AASB 2014-1 from 1 July 2014.

These amendments affect the following standards:

AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition';

AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9;

AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker;

AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139;

AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset;

AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity;

(a) Going concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The cash flow forecast for the next twelve months prepared by management indicates that the Group will have sufficient cash assets to be able to meet its debts as and when they become due.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cellmid Limited ("the Company") as at 30 June 2016 and the results of all subsidiaries for the year then ended. Cellmid Limited and its subsidiaries together are referred to in these financial statements as the Group.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

(b) Principles of consolidation (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

(c) Segment reporting

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

(d) Revenue and other income recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of products is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the products and the cessation of all involvement in those products.

Interest revenue is recognised as interest accrues using the effective interest rate method.

Royalties are recognised on a straight-line basis over the period of the agreement.

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

(e) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and adjustments recognised for prior periods where applicable.

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

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

Current tax assets and liabilities are offset only where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

(e) Income tax (continued)

Deferred tax assets and liabilities are offset where:

- a. a legally enforceable right of set-off exists; and
- b. they relate to the same taxation authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

(f) Cash and cash equivalents

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

(g) Trade and other receivables

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

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

(h) Inventories

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

(i) Plant and equipment

Plant and equipment is measured at historical cost less accumulated depreciation and any accumulated impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation

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

Notes to the Financial Statements
For the Year Ended 30 June 2016

(i) Plant and equipment (continued)

The depreciation rates used for each class of asset are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(j) Intangible assets other than Goodwill

Patents and trademarks

Patents and trademarks have a finite life and are measured at cost less any accumulated amortisation and any impairment losses. The Group has determined the useful life of the intangible assets at 20 years.

Research and development

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

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

(k) Impairment of assets

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

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

The Group undertakes a review and assesses potential impairment on a regular basis for all its intangible assets.

(l) Trade and other payables

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

Due to their short term nature they are measured at amortised cost and are not discounted.

Notes to the Financial Statements
For the Year Ended 30 June 2016

(m) Provisions

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

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

(n) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

Short term employee benefits

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

Other long term employee benefits

Liability for annual leave and long service leave not expected to be settled within 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, of employee departures and period of service.

Retirement benefit obligations

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

(o) Share-based payments

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

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

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

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

(p) Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

(p) Equity-settled compensation (continued)

received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using either a Binominal pricing or Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

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

(q) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

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

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

(r) Goods and Services Tax (GST)

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

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

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

(s) Financial instruments

Financial instruments are recognised when the entity becomes a party to the contractual provisions to the instrument and are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised immediately as expenses in profit or loss.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

**Notes to the Financial Statements
For the Year Ended 30 June 2016****(s) Financial instruments (continued)**Loans and borrowings

Loans and borrowings are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Financial liabilities are derecognised when the contractual obligation is discharged, cancelled or expires.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(t) Earnings per shareBasic earnings per share

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

Diluted earnings per share

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

(u) Comparative figures

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

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

(v) New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

(v) New accounting standards for application in future periods (continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Group.

(w) Critical accounting estimates and judgements

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2016

(w) Critical accounting estimates and judgements (continued)

Estimated impairment of intellectual property

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

2. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent, Cellmid Limited, and has been prepared on the same basis as the consolidated financial statements, except as disclosed below.

Investments in subsidiaries and intercompany loans are accounted for at cost in the financial statements of the parent entity.

	2016 \$	2015 \$
Statement of Financial Position		
Assets		
Current assets	3,245,484	1,560,800
Non-current assets	7,156,715	6,563,915
Total Assets	10,402,199	8,124,715
Liabilities		
Current liabilities	(1,324,282)	(1,709,264)
Non-current liabilities	(68,071)	(61,467)
Total Liabilities	(1,392,353)	(1,770,731)
Equity		
Issued capital	32,426,826	28,701,311
Accumulated losses	(25,505,957)	(24,208,104)
Reserves	2,088,977	1,860,777
Total Equity	9,009,846	6,353,984
Statement of Profit or Loss and Other Comprehensive Income		
Loss of the parent entity	(1,297,853)	(2,225,519)
Total comprehensive income	(1,297,853)	(2,225,519)

Contingent liabilities and contingent assets

Bank Guarantees

The parent entity has given bank guarantees as at 30 June 2016 of \$65,829 (30 June 2015: \$65,829) relating to the lease of commercial office space.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

On 30 June 2016, Cellmid Limited entered into a deed of cross guarantee to support the liabilities and obligations of four of its wholly-owned subsidiaries, Advangen Limited, Advangen International Pty Ltd, Kinera Limited and Lyramid Limited.

By entering into the deed, the wholly-owned unlisted public entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

Apart from the items noted above the parent entity had no contingent liabilities or contingent assets at 30 June 2016.

Capital Commitments

The parent entity had no capital commitments at 30 June 2016 (Nil at 30 June 2015).

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

3. REVENUE AND OTHER INCOME

Revenue from continuing operations

	2016	2015
	\$	\$
Revenue:		
- Consumer health and sale of products	3,120,367	1,842,804
Other revenue:		
- interest received	39,509	27,296
- licence fees and royalties	205,390	99,263
- other revenue	23,636	-
	<u>268,535</u>	<u>126,559</u>
Total Revenue	<u>3,388,902</u>	<u>1,969,363</u>
Other income:		
- Government grants	1,121,562	988,451
- Gain on foreign exchange	95,972	6,140
- Other income	4,672	3,608
	<u>1,222,206</u>	<u>998,199</u>

4. LOSS FOR THE YEAR

Loss before income tax includes the following specific expenses:

	2016	2015
	\$	\$
Manufacturing sales expense	(1,219,849)	(671,698)
Finance costs	(195,914)	(27,809)
Defined contribution superannuation expense	(178,740)	(148,992)
Loss on foreign exchange	-	(8,441)
Rental expense on leased premises	(200,133)	(193,653)
Depreciation and amortisation expense	(161,613)	(131,338)
Research and development expense	(354,881)	(1,302,009)

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

5. INCOME TAX

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

	2016	2015
	\$	\$
Income tax expense	(11,045)	(3,363)
	<u>(11,045)</u>	<u>(3,363)</u>

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

Loss for year before income tax expense	(3,487,871)	(3,333,985)
Prima facie tax benefit on loss from ordinary activities before income tax at 29.89% (2015: 30.57)	(1,042,630)	(1,019,036)
Add / (less) tax effect of:		
- Share based payment	52,837	54,897
- Sundry items	46,743	52,160
- Research and development expenditure	562,650	756,006
- Research and development core technology expenditure	(190,438)	(190,438)
- Tax losses not brought to account	559,793	343,048
Income tax expense	<u>(11,045)</u>	<u>(3,363)</u>

The Group operates across two tax jurisdictions being Australia and Japan each with different corporate tax rates. The applied tax rate of 29.89% represents the average tax rate applicable to the Group for the financial year ended 30 June 2016.

(c) Unused tax losses

Movements in unused tax losses

	Australia	Japan	Total
	\$	\$	\$
Carried forward unused tax losses at the beginning of the financial year	14,039,273	2,293,187	16,332,460
Current unused tax losses for which no deferred tax asset has been recognised	3,142,423	(124,905)	3,018,518
Prior period differences between tax calculation and income tax return	(138,207)	-	(138,207)
Carried forward unused tax losses at the end of the financial year	17,043,489	2,168,282	19,211,771
Notional tax rate	30.00%	35.64%	
Potential future tax benefit	5,113,046	772,776	5,885,822

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

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

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

6. INTERESTS OF KEY MANAGEMENT PERSONNEL (“KMP”)

(a) Directors and key management personnel

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

Mr David King	(Non-Executive Chairman)	
Ms Maria Halasz	(CEO and Managing Director)	
Mr Bruce Gordon	(Non-Executive Director)	- appointed 1 July 2015
Dr Fintan Walton	(Non-Executive Director)	- appointed 21 July 2015

(b) Directors and key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2016.

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

	2016	2015
	\$	\$
Short-term employment benefits	588,583	588,961
Long-term benefits	13,762	12,511
Post-employment benefits	44,175	48,925
Share-based payments	128,067	73,467
	774,587	723,864

7. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the parent entity, its related practices and unrelated firms:

	2016	2015
	\$	\$
Audit or review of the Group Cellmid Limited		
- BDO East Coast Partnership – Australia	56,500	52,500
- BDO Toyo & Co – Japan	10,000	10,640
Audit or review of the Subsidiary Advangen Limited		
- BDO East Coast Partnership – Australia	12,500	-
	79,000	63,140

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

8. EARNINGS PER SHARE

	2016	2015
	\$	\$
Basic and diluted earnings per share (in cents)	(0.38)	(0.43)
Reconciliation of earnings to profit or loss from continuing operations		
Loss for the year attributable to the owners of Cellmid Limited	(3,498,916)	(3,337,348)
	No.	No.
Weighted average number of ordinary shares used in calculating basic and dilutive earnings per share	910,130,745	696,596,038

Options

Shareholders approved the issue of 8,000,000 options to Directors at the Annual General Meeting held on 12 November 2015. No options were issued to executives or directors during the 2015 financial year.

For both the year ended 30 June 2016 and 30 June 2015, the options on issue were considered anti-dilutive, and consequently diluted earnings per share is the same as basic earnings per share. The options have not been included in the determination of basic earnings per share.

Details relating to options are set out in Note 18.

9. CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash at bank and in hand	2,686,329	1,582,899
	2,686,329	1,582,899

The effective interest rate on short term bank deposits at 30 June 2016 was 2.65% (2015: 2.5%); these deposits were all at call.

Reconciliation of cash

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

Cash and cash equivalents	2,686,329	1,582,899
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**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Current		
Trade receivables	282,047	605,858
Less: Provision for impairment	(21,430)	(15,019)
Other receivables	37,722	27,808
	298,339	618,647

Impairment of receivables

The Group has recognised a loss of \$6,411 (2015: \$18,890) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

The ageing of the impaired receivables provided for above are as follows:

	2016	2015
	\$	\$
Over 6 months overdue	21,430	15,019
	21,430	15,019

Movements in the provision for impairment of receivables are as follows:

Opening balance	15,019	-
Additional provisions recognised	6,411	18,890
Receivables written off during the year as uncollectable	-	(3,871)
Closing balance	21,430	15,019

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$10,649 as at 30 June 2016 (30 June 2015: \$26,686).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Effective interest rates and credit risk

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

There is no interest rate risk for the balances of trade and other receivables. There is no material credit risk associated with other receivables.

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

11. INVENTORIES

	2016	2015
	\$	\$
Current		
Midkine and MK ELISA	1,006,471	1,018,995
Finished goods	671,831	662,590
Raw materials	331,490	45,875
	2,009,792	1,727,460

12. OTHER ASSETS

Prepayments	136,644	244,610
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13. PLANT AND EQUIPMENT

	2016	2015
	\$	\$
At cost	515,717	425,892
Accumulated depreciation and foreign exchange movements	(446,700)	(350,903)
	69,017	74,989

Movements in carrying amounts of plant and equipment

	\$
Balance at 1 July 2015	74,989
Additions	32,928
Depreciation	(45,051)
Foreign exchange movements	6,151
Balance at 30 June 2016	69,017
Balance at 1 July 2014	43,269
Additions	60,929
Depreciation	(29,209)
Balance at 30 June 2015	74,989

14. INTANGIBLE ASSETS

	2016	2015
	\$	\$
Patents and trademarks		
At cost	2,605,267	2,109,775
Accumulated amortisation and foreign exchange movements	(390,574)	(210,833)
	2,214,693	1,898,942

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

14. INTANGIBLE ASSETS (CONTINUED)

Movements in carrying amounts of patents and trademarks

	\$
Balance at 1 July 2015	1,898,942
Additions	-
Amortisation	(116,562)
Foreign exchange movements	432,313
Balance at 30 June 2016	2,214,693
Balance at 1 July 2014	1,911,265
Additions	-
Amortisation	(102,129)
Foreign exchange movements	89,806
Balance at 30 June 2015	1,898,942

Intangible assets, have finite useful lives. The Group has determined the useful life of the intangible assets at 20 years. The remaining useful life is 18 years.

15. TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Trade payables	655,851	652,927
Other payables	778,592	351,416
	1,434,443	1,004,343

16. LOANS AND BORROWINGS

	2016	2015
	\$	\$
Current	802,177	1,070,639
Non-current	196,807	29,271
	998,984	1,099,910

On 25 February 2016, Cellmid Limited entered into an R&D loan advance agreement with Platinum Road for \$700,000. The loan is secured for a period of twelve months from commencement, the date at which the government grant is expected to be received and the loan repaid.

The agreement gives the lenders the right to require Cellmid to issue new ordinary fully paid shares at 3.4 cents per share to reduce the principal amount, with the maximum total being 20,588,235 shares. Additionally, the lenders have the right to require Cellmid to issue fully paid ordinary shares in lieu of payment of accrued interest (at an annual rate of 15%, accrued monthly). These shares are to be issued at 2.3 cents per shares, with a maximum total being 4,577,739 shares being issued.

The remaining loan amounts relate to loan facilities with Keiyo Bank Ltd (JPY: 16,759,000) and Chiba Bank Ltd. (JPY: 8,831,000) and a lease facility with Business Mitsui Trust Panasonic Finance KK (JPY: 513,324).

The loan facility is secured by a fixed charge over the assets of the Group, and is fully drawn as at 30 June 2016.

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

17. EMPLOYEE PROVISIONS

	Employee Provisions	
	Annual Leave	Long Service Leave
	\$	\$
Balance at 1 July 2015	206,836	62,549
Additional provisions	16,165	5,787
Balance at 30 June 2016	223,001	68,336
	2016	2015
	\$	\$
Analysis of employee provisions		
Current	223,001	206,836
Non-current	68,336	62,549
	291,337	269,385

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement.

18. ISSUED CAPITAL

	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary shares – fully paid	928,500,508	795,167,175	31,794,565	28,069,050
Unissued ordinary shares under option	330,954,732	301,054,732	632,261	632,261
			32,426,826	28,701,311

(a) Ordinary shares

	Issue price \$	2016 No.	2015 No.	2016 \$	2015 \$
At the beginning of the year		795,167,175	735,585,702	28,069,050	26,769,571
Shares issued – September 2015	0.0300	23,333,333	-	700,000	-
Shares issued – August 2015	0.0300	110,000,000	-	3,300,000	-
Shares issued - August 2014	0.0400	-	600,000	-	24,000
Shares issued - December 2014	0.0230	-	54,726,089	-	1,258,700
Shares issued - December 2014	0.0270	-	2,000,000	-	50,000
Shares issued - May 2015	0.0222	-	2,255,384	-	50,000
Shares issue costs, net of tax		-	-	(274,485)	(83,221)
At the end of the year		928,500,508	795,167,175	31,794,565	28,069,050

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

The Company does not have a limited amount of authorised capital and the fully paid ordinary shares have no par value.

Notes to the Financial Statements
For the Year Ended 30 June 2016

18. ISSUED CAPITAL (CONTINUED)

(b) Unissued ordinary shares under option

For information relating to the Cellmid Limited and controlled entities employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 28 Share-based payments.

For information relating to share options issued to key management personnel during the financial year, refer to the remuneration report.

	2016	2015
	No.	No.
At the beginning of the year	301,054,732	315,656,738
Options issued - September 2015	18,000,000	-
Options issued - November 2015	12,500,000	-
Options lapsed - November 2015	(100,000)	-
Options lapsed - June 2016	(500,000)	-
Options lapsed - July 2014	-	(5,002,006)
Options lapsed - November 2014	-	(9,000,000)
Options lapsed - February 2015	-	(600,000)
At the end of the year	330,954,732	301,054,732

(c) Capital risk management

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

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

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

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

19. RESERVES

	2016	2015
	\$	\$
Share based payment reserve		
Balance at the beginning of the year	1,860,777	1,801,787
Share based payment expense	176,123	82,990
Shares issued under share based arrangements	-	(24,000)
Balance at the end of the year	<u>2,036,900</u>	<u>1,860,777</u>
General reserve		
Balance at the beginning of the year	(131,941)	(131,941)
Equity value of loan - net of transaction costs	52,077	-
Balance at the end of the year	<u>(79,864)</u>	<u>(131,941)</u>
Foreign currency translation reserve		
Balance at the beginning of the year	124,421	35,359
Foreign exchange movements	461,342	89,062
Balance at the end of the year	<u>585,763</u>	<u>124,421</u>
Total reserves	<u>2,542,799</u>	<u>1,853,257</u>

(a) Share based payments reserve

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

(b) General reserve

The movement in the reserve is as a result of the recognition of the equity component of the convertible loan.

(c) Foreign currency translation reserve

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

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

20. CASH FLOW INFORMATION

	2016 \$	2015 \$
Reconciliation of loss after income tax to net cash used in operating activities		
Loss after income tax for the year	(3,498,916)	(3,337,348)
Adjustments for:		
- depreciation and amortisation	161,613	131,338
- share based payments	176,123	182,990
- bad and doubtful debts	6,411	18,890
- interest expense	48,063	-
- finance cost	(40,000)	-
Changes in operating assets and liabilities		
- (increase)/decrease in trade and other receivables	320,308	(398,176)
- (increase)/decrease in prepayments	107,966	(18,095)
- (increase) in inventories	(282,332)	(176,308)
- (decrease) in trade and other payables	430,100	432,476
- (decrease) in provisions	21,952	41,869
Net cash used in operating activities	(2,548,712)	(3,123,364)

21. EVENTS AFTER THE REPORTING PERIOD

On 20 July 2016, Advangen International Pty Limited (Advangen), Cellmid's wholly owned subsidiary, entered into a distribution partnership with Colour Collective for the USA launch of the Company's évolis® branded hair loss products. Colour Collective, a specialist in the launch of high end hair brands in the US, is based in Dallas, Texas.

The principals of Colour Collective have over 40 years of combined experience in successfully launching and distributing brands in the USA, Europe and Asia for companies such as Revlon, Unilever, LVMH, Bristol-Myers Squibb and Toni & Guy. Since 2012 Colour Collective has launched nine new brands covering 146 products.

The distribution partnership will provide Advangen with accelerated, direct route to the sales channels that have proven successful in Australia and Japan during the Company's commercial proof of concept rollout. These include e-commerce and sampling channels for rapid customer acquisition, home shopping networks and high-end retail stores. USA sales will commence in 2016 through e-commerce channels with distribution to high-end retail and other direct to consumer opportunities to follow.

On 22 July 2016, Ikon Communications Pty Ltd (Ikon), a subsidiary of the WPP AUNZ (ASX: WPP) group of advertising agencies, filed legal action against Advangen, the entity that operates the Australian consumer health business.

Ikon's claim is for the amount of \$939,055.65 pursuant to the Services Agreement entered into by the parties on 15 June 2015. In the claim Ikon alleges that Advangen has failed to pay certain invoices for services rendered in relation to an advertising campaign.

Advangen strongly disputes that Ikon is entitled to be paid for the work the subject of the invoices. It is Advangen's position that Ikon has breached the Services Agreement, failed to provide certain services at all, or adequately, and engaged in misleading and dishonest conduct that has caused Advangen loss and damage.

Advangen intends to vigorously defend its position and cross claim for payments already made for services not provided or properly provided by Ikon, as well as for any further damages. It will also ensure that there is adequate security for its costs, and if necessary, apply for an order that security for costs be provided by Ikon.

Apart from the matters noted above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

22. RELATED PARTY TRANSACTIONS

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

Parent entities

Cellmid Limited is the ultimate parent entity.

Subsidiaries

For details of disclosures relating to subsidiaries, refer to Note 24. Transactions and balances between subsidiaries and the parent have been eliminated on consolidation of the Group.

Key management personnel

For details of disclosures relating to key management personnel, refer to the remuneration report contained within the Director's report.

23. FINANCIAL RISK MANAGEMENT

(a) Transactions with related parties

There were no related party transactions during the year ended 30 June 2016.

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

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

		2016 \$	2015 \$
Financial Assets			
Cash and cash equivalents	9	2,686,329	1,582,899
Trade and other receivables	10	298,339	618,647
Total financial assets		2,984,668	2,201,546
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	15	1,434,443	1,004,343
- Loans and borrowings	16	998,984	1,099,910
Total financial liabilities		2,433,427	2,104,253

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

Notes to the Financial Statements
For the Year Ended 30 June 2016

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

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

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

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

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

(b) Liquidity risk

The Group manages this risk through the following mechanisms:

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

The Group is not exposed to any material liquidity risk.

Financial liabilities consist of two items, trade and other payables for which the contractual maturity dates are within 6 months of the reporting date and loans and borrowings.

Loans and borrowings at reporting date have contractual maturity dates as follows:

	2016	2015
	\$	\$
Within one year	802,177	1,070,639
One to five years	196,807	29,271

(c) Market risk

Foreign exchange risk

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

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

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of the financial year. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

At the end of the financial year, the effect on profit and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	Profit \$	Equity \$
Year ended 30 June 2016		
+/- 1% in foreign exchange rates	+/-1,249	-/+ 2,153
Year ended 30 June 2015		
+/- 1% in foreign exchange rates	+/-3,215	+/- 6,125

Interest rate risk

The Group's main interest rate risk arises from deposits with banks and other financial institutions.

Deposits made at variable rates expose the Group to interest rate risk. Management maintains approximately 100% of deposits with banks at call on variable interest rates.

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

	Profit \$	Equity \$
Year ended 30 June 2016		
+/- 1% in interest rates	+/- 26,863	+/- 26,863
Year ended 30 June 2015		
+/- 1% in interest rates	+/- 15,829	+/- 15,829

Price risk

The Group is not exposed to any material price risk.

24. INTERESTS IN SUBSIDIARIES

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

Name	Country of Incorporation	Percentage Owned (%) 2016	Percentage Owned (%) 2015
Subsidiaries of Cellmid Limited:			
Advangen Limited	Australia	100	100
Kinera Limited	Australia	100	-
Lyramid Limited	Australia	100	-
Subsidiaries of Advangen Limited:			
Advangen International Pty Ltd	Australia	100	100
Advangen Incorporated	Japan	100	100

Notes to the Financial Statements
For the Year Ended 30 June 2016

24. INTERESTS IN SUBSIDIARIES (CONTINUED)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

On 30 June 2016, Cellmid Limited entered into a deed of cross guarantee to support the liabilities and obligations of four of its wholly-owned subsidiaries, Advangen Limited, Kinera Limited, Lynamid Limited and Advangen International Pty Ltd. By entering into the deed, the wholly-owned unlisted public entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

The following are the aggregate totals, for each category, relieved under the deed.

	Members of the Closed Group	Parties to the Deed of Cross Guarantee
	2016	2016
	\$	\$
(A) STATEMENT OF FINANCIAL POSITION		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	2,686,329	2,250,700
Trade and other receivables	298,339	111,325
Inventories	2,009,792	1,567,214
Other assets	136,644	108,317
TOTAL CURRENT ASSETS	5,131,104	4,037,556
<u>NON-CURRENT ASSETS</u>		
Plant and equipment	69,017	27,176
Intangible assets	2,214,693	1,440
Investments in Advangen Inc. Japan	-	3,242,558
TOTAL NON-CURRENT ASSETS	2,283,710	3,271,174
TOTAL ASSETS	7,414,814	7,308,730
<u>CURRENT LIABILITIES</u>		
Trade and other payables	1,434,443	1,184,649
Loans and borrowings	802,177	655,986
Employee provisions	223,001	223,001
TOTAL CURRENT LIABILITIES	2,459,621	2,063,636
<u>NON-CURRENT LIABILITIES</u>		
Employee provisions	68,336	68,336
Loans and borrowings	196,807	-
TOTAL NON-CURRENT LIABILITIES	265,143	68,336
TOTAL LIABILITIES	2,724,764	2,131,972
NET ASSETS	4,690,050	5,176,758
<u>EQUITY</u>		
Issued capital	32,426,826	32,426,826
Reserves	2,542,799	1,944,060
Accumulated losses	(30,279,575)	(29,194,128)
TOTAL EQUITY	4,690,050	5,176,758

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

24. INTERESTS IN SUBSIDIARIES (CONTINUED)

	Members of the Closed Group	Parties to the Deed of Cross Guarantee
	2016	2016
	\$	\$
(B) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME:		
Loss before income tax	(3,487,871)	(3,501,470)
Income tax expense	(11,045)	-
Loss after income tax	(3,498,916)	(3,501,470)
Loss attributable to members of the parent entity	(3,498,916)	(3,501,470)
(C) RETAINED EARNINGS:		
Retained profits at the beginning of the year	(26,780,659)	(25,692,658)
Loss after income tax	(3,498,916)	(3,501,470)
Retained earnings at the end of the year	(30,279,575)	(29,194,128)

25. SEGMENT INFORMATIONIdentification of reporting segments

The Group is organised into two operating segments:

- research and development of diagnostics and therapeutics; and
- research, development and marketing of hair growth products.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Types of products and services

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

Midkine Diagnostic and Therapeutic (Midkine Business)

- Midkine diagnostics and therapeutics for cancer, inflammatory and ischemic conditions.

Research, development and marketing of hair growth products (Consumer Health Business)

- research, development and marketing of hair growth products.

Notes to the Financial Statements
For the Year Ended 30 June 2016

25. SEGMENT INFORMATION (CONTINUED)

Geographical segment information

The primary geographic segment within which the Group operates is Australia as at 30 June 2016. For primary reporting purposes, the Group operates in two geographic segments as described as at 30 June 2016.

	Midkine Australia		Consumer Health Australia		Consumer Health Japan		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Revenue								
Consumer health and product sales to external customers	158,061	47,790	811,935	658,030	2,150,371	1,136,984	3,120,367	1,842,804
Total	158,061	47,790	811,935	658,030	2,150,371	1,136,984	3,120,367	1,842,804
Interest received	39,342	27,280	131	-	36	16	39,509	27,296
Royalties and licences	205,390	99,263	-	-	-	-	205,390	99,263
Other revenue	-	-	23,636	-	-	-	23,636	-
Total revenue	402,793	174,333	835,702	658,030	2,150,407	1,137,000	3,388,902	1,969,363
Other income								
Government grant received	1,026,172	952,621	95,390	35,830	-	-	1,121,562	988,451
Gain/Loss on disposal of assets	-	5,200	-	-	-	(1,592)	-	3,608
Other income	24,042	6,140	-	-	76,602	-	100,644	6,140
Expenses	(2,370,634)	(3,239,129)	(3,126,861)	(1,365,415)	(2,067,834)	(1,454,866)	(7,565,329)	(6,059,410)
Share based compensation	(176,123)	(82,990)	-	-	-	-	(176,123)	(82,990)
Depreciation and amortisation	(16,007)	(16,638)	(3,445)	(82)	(142,161)	(114,618)	(161,613)	(131,338)
Finance costs	(189,458)	(25,056)	(804)	(649)	(5,652)	(2,104)	(195,914)	(27,809)
Profit / (Loss) before income tax	(1,299,215)	(2,225,519)	(2,200,018)	(672,286)	11,362	(436,180)	(3,487,871)	(3,333,985)
Income tax (expense)							(11,045)	(3,363)
Loss after income tax							(3,498,916)	(3,337,348)
Assets								
Segment assets	3,274,865	2,605,320	747,643	865,258	3,392,306	2,676,969	7,414,814	6,147,547
Total assets							7,414,814	6,147,547
Liabilities								
Segment liabilities	(1,392,353)	(1,770,731)	(739,619)	(188,077)	(592,792)	(414,830)	(2,724,764)	(2,373,638)
Total liabilities							(2,724,764)	(2,373,638)

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the consumer health segment who accounts for 39.94% of external revenue (2015:18.78%). The next most significant client accounts for 12.22% (2015:4.19%) of external revenue.

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

26. COMMITMENTS

	2016 \$	2015 \$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	140,844	134,508
One to five years	135,037	274,624
Minimum lease payments	275,881	409,132

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

27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Claims

On 22 July 2016, Ikon Communications Pty Ltd (Ikon), a subsidiary of the WPP AUNZ (ASX:WPP) group of advertising agencies, filed legal action against Advangen International Pty Limited (Advangen), Cellmid's wholly owned subsidiary operating the Australian consumer health business.

Ikon's claim is for the amount of \$939,055.65 pursuant to the Services Agreement entered into by the parties on 15 June 2015. In the claim Ikon alleges that Advangen has failed to pay certain invoices for services rendered in relation to an advertising campaign.

Advangen strongly disputes that Ikon is entitled to be paid for the work the subject of the invoices. It is Advangen's position that Ikon has breached the Services Agreement, failed to provide certain services at all or adequately and engaged in misleading and dishonest conduct that has caused Advangen loss and damage.

Advangen intends to vigorously defend its position and cross claim for payments already made for services not provided or properly provided by Ikon, as well as for any further damages. It will also ensure that there is adequate security for its costs, and if necessary, apply for an order that security for costs be provided by Ikon.

Guarantees

The Group has given bank guarantees as at 30 June 2016 of \$65,829 (30 June 2015: \$65,829) relating to the lease of commercial office space.

For information about guarantees given by entities within the group, including the parent entity, please refer to note 2.

Other than the matter noted above, the Group had no contingent liabilities or contingent assets at 30 June 2016. (30 June 2015: Nil)

**Notes to the Financial Statements
 For the Year Ended 30 June 2016**

28. SHARE-BASED PAYMENTS

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

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

Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Forfeited/ expired	Balance at the end of the year	Exercisable at end of year
15/11/2015	0.100	100,000	-	-	(100,000)	-	-
15/11/2016	0.030	3,971,962	-	-	-	3,971,962	3,971,962
15/06/2017	0.032	5,000,000	-	-	-	5,000,000	5,000,000
14/08/2017	0.034	1,440,000	-	-	-	1,440,000	1,440,000
01/08/2018	0.040	-	4,000,000	-	-	4,000,000	4,000,000
01/08/2018	0.050	-	4,000,000	-	-	4,000,000	4,000,000
01/08/2018	0.060	-	10,000,000	-	-	10,000,000	10,000,000
19/11/2018	0.031	-	500,000	-	-	500,000	500,000
19/11/2018	0.060	-	12,000,000	-	(500,000)	11,500,000	9,500,000
		10,511,962	30,500,000	-	(600,000)	40,411,962	37,911,962

The weighted average exercise price during the financial year was \$0.046 (\$0.034 in 2015). The weighted average remaining contractual life of the options outstanding at the end of the financial year was 1.83 years (1.97 years in 2015).

Refer to Note 1(o) for information as to how the fair value of these options were determined.

30,500,000 options were granted during the 2016 financial year (2015: Nil) and share based payment expense for the period was \$176,123 (2015: Nil).

Other options on issue

A summary of the Company options not issued under the plan is as follows:

Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Forfeited/ expired	Balance at the end of the year	Exercisable at end of year
23/10/2016	0.034	290,542,770	-	-	-	290,542,770	290,542,770
		290,542,770	-	-	-	290,542,770	290,542,770

Directors' Declaration

The directors of the company declare that:

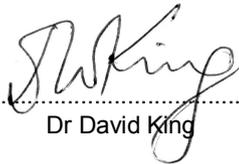
1. the financial statements and notes, as set out on pages 15 to 48, are in accordance with the Corporations Act 2001 and:
 - i. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - ii. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;
2. 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; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

The company and a four wholly-owned subsidiaries, Advangen Limited, Kinera Limited, Lynamid Limited and Advangen International Pty Limited, have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

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

Director:



Dr David King

Dated this 30th day of August 2016

Additional Information for Listed Entities

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 16 August 2016.

20 LARGEST SHAREHOLDERS

Fully Paid Ordinary Shares

Fully Paid Ordinary Shares – Voluntary Escrow (3 years)

Shareholders	Balance	Percent
MR GREGORY GLENN WORTH <WORTH S/F A/C>	36,000,000	3.877
CELL SIGNALS INC	28,000,000	3.016
NATIONAL NOMINEES LIMITED	24,338,739	2.621
SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	22,500,000	2.423
MR JAMES PATRICK TUIE & MRS WENDY TUIE <TUIE SUPER 1 A/C>	20,646,462	2.224
MR DARIN ANJOUL & MRS TANIA ANJOUL <TAN GROUP SUPER FUND A/C>	14,750,000	1.589
MR TREVOR GOTTLIEB	14,510,000	1.563
INSCAPE SOLUTIONS PTY LTD	14,400,000	1.551
DR KUEN SENG CHAN	14,000,000	1.508
MS MARIA HALASZ	13,554,375	1.459
MR KEVIN PETER HOOPER & MR RONALD LESLIE HOOPER <SATHNASH P/L SUPER FUND A/C>	13,500,000	1.454
MR SCOTT JEFFREY RICHARD CHAPMAN	11,700,000	1.260
MR HAROLD LEONARD GOTTLIEB & MRS HELEN CYNTHIA GOTTLIEB <H & H GOTTLIEB PNL S/F A/C>	11,448,028	1.233
MR GREGORY BERNARD HILTON	10,897,000	1.174
MISS REBECCA DERAGOPIAN	10,892,779	1.173
MR MING LOV & MRS CHIU LOV <LOV FAMILY A/C>	10,676,327	1.150
J20 INVESTMENTS PTY LTD <J20 A/C>	9,299,880	1.002
TZ HOLDINGS PTY LTD <TZ HOLDINGS A/C>	9,071,000	0.977
MR IVAN STARESINIC	9,000,000	0.969
BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	8,333,333	0.898
Total	307,517,923	33.121
Issued Share Capital	928,500,508	

SUBSTANTIAL HOLDERS

There are no current individual substantial shareholders of Cellmid Limited shares, however the ASX has been advised that Mr Paul Ruggiero holds 15.6% of the collective voting rights of like-minded investors.

HOLDING ANALYSIS

Holdings Ranges	Holders	Total units	%
1 – 1,000	66	11,125	0.001
1,001 – 5,000	36	114,038	0.012
5,001 – 10,000	126	1,165,408	0.126
10,001 – 100,000	1,135	55,477,169	5.975
100,001 – 99,999,999	829	871,732,768	93.886
Totals	2,192	928,500,508	100.000

Additional Information for Listed Entities

20 LARGEST SHAREHOLDERS OF QUOTED OPTIONS

Holder Name	Balance	Percent
STRUCTURE INVESTMENTS PTY LTD <ROGERS FAMILY A/C>	40,814,930	14.048
PATHOLD NO 77 PTY LTD <ACKERMAN SUPER FUND A/C>	38,201,482	13.148
MR EGAN HARVEY JOHNSON	18,003,220	6.196
MR TREVOR GOTTLIEB	13,255,500	4.562
SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	11,250,000	3.872
PAESLER TRADING PTY LTD <PAESLER FAMILY A/C>	10,000,000	3.442
MR JAMES PATRICK TUIITE & MRS WENDY TUIITE <TUIITE SUPER 1 A/C>	9,523,231	3.278
PROCURE TO REPORT PTY LTD	8,430,110	2.902
MR GREGORY GLENN WORTH <WORTH S/F A/C>	8,000,000	2.753
MR OSCAR DARIO ROSERO <OSCAR ROSERO SUPER FUND A/C>	7,684,153	2.645
MR PAUL PHILIP RANBY	7,575,813	2.607
MR DARIN ANJOUL & MRS TANIA ANJOUL	5,000,000	1.721
MR DARIN ANJOUL & MRS TANIA ANJOUL <TAN GROUP SUPER FUND A/C>	5,000,000	1.721
MR TRAFFORD WILLIAM VAGG	4,770,178	1.642
DR ROBERT SYLVESTER VAGG & DR KYMBERLEY ANN VICKERY <RSVKAV SUPER FUND A/C>	4,700,000	1.618
TALRIND PTY LTD <WORTH D/T A/C>	4,000,000	1.377
CHAMIER ENDERSBEE PTY LTD <ENDERSBEE FAMILY SUPER A/C>	3,800,000	1.308
MR STEVEN ANDREW COOPER	3,000,000	1.033
ROGERS SF MANAGEMENT PTY LTD <ROGERS SUPER FUND A/C>	3,000,000	1.033
KYLE VALLEY PTY LTD	2,500,000	0.860
Total	208,508,617	71.765
Issued Quoted Options	290,542,770	

NUMBER OF HOLDERS AND VOTING RIGHTS IN EACH CLASS OF SECURITIES

Class of Security	No of Holders	Voting Rights
Ordinary Shares	2,191	Yes
Listed Options \$0.034 expiring 23/10/2016	332	No
Unlisted Options \$0.030 expiring 15/11/2016	1	No
Unlisted Options \$0.032 expiring 15/06/2017	1	No
Unlisted Options \$0.034 expiring 14/08/2017	3	No
Unlisted Options \$0.040 expiring 01/08/2018	1	No
Unlisted Options \$0.050 expiring 01/08/2018	1	No
Unlisted Options \$0.060 expiring 01/08/2018	2	No
Unlisted Options \$0.031 expiring 19/11/2018	1	No
Unlisted Options \$0.060 expiring 19/11/2018	8	No
Cellmid FPO Voluntary Escrow for 3 years	1	No

Subject to the ASX Listing Rules, the Company's Constitution and any special rights or restrictions attached to a share, at a meeting of shareholders:

- On a show of hands, each shareholder present (in person, by proxy, attorney or representative) has one vote; and
- On a poll, each shareholder present (in person, by proxy, attorney or representative) has;
 - One vote for each fully paid share they hold; and
 - A fraction of a vote for each partly paid share they hold.

Additional Information for Listed Entities
UNMARKETABLE PARCELS OF SHARES

The number of shareholders with less than a marketable parcel of shares is 56.

CLASSES OF UNQUOTED SECURITIES

Class of Security	No of Holders	Total Units
Unlisted Options \$0.030 expiring 15/11/2016	1	3,971,962
Unlisted Options \$0.032 expiring 15/06/2017	1	5,000,000
Unlisted Options \$0.034 expiring 14/08/2017	3	1,440,000
Unlisted Options \$0.040 expiring 01/08/2018	1	4,000,000
Unlisted Options \$0.050 expiring 01/08/2018	1	4,000,000
Unlisted Options \$0.060 expiring 01/08/2018	2	10,000,000
Unlisted Options \$0.031 expiring 19/11/2018	1	500,000
Unlisted Options \$0.060 expiring 19/11/2018	8	11,500,000

GENERAL

There is no current on-market buy-back for the Company's securities.

Corporate Directory**Company Details**

The registered office of the company is:

Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

The principal places of business are:

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

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

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

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

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

Board of Directors

Non-Executive Chairman

Dr David King

Managing Director and Chief Executive Officer

Ms Maria Halasz

Non-Executive Directors

Mr Bruce Gordon (Appointed 1 July 2015)

Dr Fintan Walton (Appointed 21 July 2015)

Company Secretary

Mrs Aliceson Rourke (Appointed 1 November 2015)

Auditors, Solicitors and Patent Attorney

Auditors

BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000, Australia

Solicitors

Piper Alderman
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000, Australia

Patent Attorney

FB Rice & Co
Level 23, 44 Market Street
Sydney NSW 2000 Australia

Share Registry

Share Registry

Boardroom Limited
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000, Australia

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

As lead auditor of Cellmid Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Gareth Few
Partner

Sydney, 30 August 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Cellmid Limited

Report on the Financial Report

We have audited the accompanying financial report of Cellmid Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year-end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Independence

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

Opinion

In our opinion:

- (a) the financial report of Cellmid Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cellmid Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Gareth Few'.

A handwritten signature in black ink, appearing to read 'Gareth Few'.

Gareth Few
Partner

Sydney, 30 August 2016