NORWOOD ABBEY LIMITED

ABN 20 085 162 456

APPENDIX 4E – PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

PREVIOUS CORRESPONDING PERIOD 30 JUNE 2008

Results for announcement to the market	Percentage change		$
Revenue from ordinary activities	Down 49.34%	to	72,172
Loss from ordinary activities after tax attributable to members	Down 85.83%	to	901,172
Net loss for the period attributable to members	Down 85.83%	to	901,172

Dividends	Amount per security	Franked amount per security
Interim dividend	NIL	NIL
Previous corresponding period	NIL	NIL
Record date for determining entitlements to the dividend	Not applicable	

	As at 30 June 2009	As at 30 June 2008
Net Tangible Assets Per Security	($0.0029)	($0.0017)

Brief explanation of the figures reported above:

Earning per share for the year ended 30 June 2009 is a loss of $0.0025 (30 June 2008 a loss of $0.02).
For further explanation of the reported figures see the attached financial statements and notes to the financial statements. The audit of the attached financial statements and notes to the financial statements has not commenced or been completed at the date of this release. The audited year end financial report is expected to be available by 30 September 2009.

NORWOOD ABBEY LIMITED

PRELIMINARY FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

NORWOOD ABBEY LIMITED

RESULTS COMMENTARY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

COMPANY POSITION & STRATEGY

The latest year has seen a continuation of the restructuring of the Company. The focus has been twofold:

- negotiating arrangements deigned to bring each existing project to a cash neutral position, and
- generating funding and negotiating arrangements to allow reduction in existing liabilities.

These processes had been identified as pre-requisites in positioning the Company to enter into commercial arrangements that are intended to restore value for shareholders.

The historical substantial debt position of the Company has meant that this task has been a prolonged one; it is pleasing to be able to report that through the diligence of the small remaining staff and the support of the Board, sufficient new funding has been obtained to allow the process to approach its conclusion.

During the year, a revised commercial arrangement with respect to the Needle-free Injection System project was completed. Under the arrangement, the Company has been able to defray all remaining liabilities and will have no responsibility for any ongoing costs of the project, It will retain an entitlement to 25% of the net revenues earned through commercialisation of the technology by its partner, Massachusetts Institute of Technology. Additionally, the Company engaged US consultants to seek purchasers/licensees for the Eyecare technology. This process has attracted limited interest and is expected to conclude inn the near future.

The Company's 21% investment in Norwood Immunology Ltd ("NIM") generated a dividend of nearly A$1 million during the year. NIM has now been delisted from London's AIM market and is operating on a minimum cost basis. Its focus is on monetising the remaining assets, especially the convertible notes, options and milestone payment rights in relation to the Virosome sale to MyMetics Inc. The Company maintains its interest with no further funding obligations.

During the past year, in addition to the restructuring described above, the Company has identified and evaluated over twenty new opportunities. This has been time-consuming and at times frustrating. The Company is working to finalise one such opportunity.

The Company's shares have been in suspension for several months as various negotiations in relation to existing assets, liabilities and prospective opportunities have been progressed. The Company is working towards providing sufficient information to the ASX in coming weeks to allow restoration of quotation.

RESULTS

The Company incurred a net loss of $901,172 for the year ended June 30 2009. This result reflects the positive effect of the dividend income from NIM but also some significant one-off charges associated with restructuring.

The Company has succeeded in raising the necessary funds to implement the restructure, expunge liabilities and has reduced all operating costs to a minimum and is now ready to enter a new phase in its life. This has been achieved in an extremely difficult economic climate.

It is noted that further reduction in liabilities has occurred subsequent to year end. Together with one remaining negotiation still to be completed, the total liability position of the Company has been reduced from approximately $5 million to around $700,000 during the period of the restructure (assuming the completion of formalities in relation to certain debt/equity swaps). This is adequately supported by the remaining assets of the Company.

NORWOOD ABBEY LIMITED

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $
Continuing operations			
Revenue from the sale of goods	3	72,172	146,287
Cost of sales		(14,964)	(37,610)
Gross profit/(loss)		57,208	108,677
Other revenue	3	989,667	41,168
Other income/(expense)	5	1,291,875	118,866
Distribution expenses		(55,704)	(7,762)
Marketing expenses		(38,562)	(75,352)
Occupancy expenses		(38,110)	(54,499)
Administration expenses		(981,789)	(2,237,585)
Finance costs	4	(57,137)	(177,982)
Impairment of available-for-sale investments	9	(1,583,089)	(3,891,722)
Impairment of inventory		-	-
Impairment of property plant and equipment	10	-	(185,666)
Impairment of capitalised patent costs	11	-	-
Other expenses from ordinary activities		(485,531)	-
Loss before income tax expense	5	(901,172)	(6,361,857)
Income tax expense relating to ordinary activities	6	-	-
Loss for the year from continuing operations		(901,172)	(6,361,857)
Attributable to:			
Equity holders of the parent		(901,172)	(6,361,857)
Minority interest		-	-
		(901,172)	(6,139,191)
Loss per share			
From continuing and discontinued operations:			
Basic and diluted (cents per share)	19	(0.25)	(2.10)
From continuing operations:			
Basic and diluted (cents per share)	19	(0.25)	(2.10)

Notes to the financial statements are included on pages 6 to 30.

NORWOOD ABBEY LIMITED

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $
CURRENT ASSETS			
Cash and cash equivalents		397,911	162,480
Trade and other receivables	7	36,837	83,639
Other	8	-	3,693
TOTAL CURRENT ASSETS		434,748	249,812
NON-CURRENT ASSETS			
Other financial assets	9	695,455	2,278,500
TOTAL NON-CURRENT ASSETS		695,455	2,278,500
TOTAL ASSETS		1,130,203	2,528,312
CURRENT LIABILITIES			
Trade and other payables	13	1,664,210	2,465,727
Borrowings	14	525,000	102,226
Provisions	15	43,539	471,437
TOTAL CURRENT LIABILITIES		2,232,749	3,039,390
NON-CURRENT LIABILITIES			
Provisions	16	-	60,296
TOTAL NON-CURRENT LIABILITIES		-	60,296
TOTAL LIABILITIES		2,232,749	3,099,686
NET ASSETS		(1,102,546)	(571,374)
EQUITY			
Issued capital	18	106,467,701	106,097,701
Accumulated losses		(111,257,955)	(110,356,783)
Reserves		3,687,708	3,687,708
Parent entity interest		(1,102,546)	(571,374)
Minority interest			-
TOTAL EQUITY		(1,102,546)	(571,374)

Notes to the financial statements are included on pages 6 to 30.

NORWOOD ABBEY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	CONSOLIDATED Year Ended 30 June 2009					CONSOLIDATED Year Ended 30 June 2008				
	Issued capital $	**Accumulated losses $**	**Equity settled-benefits reserves $**	**Minority interest $**	**Total $**	**Issued capital $**	**Accumulated losses $**	**Equity settled-benefits reserves $**	**Other reserve $**	**Total $**
Opening balance	106,097,701	(110,356,783)	3,687,708	-	(571,374)	102,549,379	(110,135,375)	3,687,708	6,140,449	503,904
Loss for the period	-	(901,172)	-	-	(901,172)		(6,361,857)			(6,361,857)
Total recognised income/(expense)	-	(901,172)	-	-	(901,172)	-	(6,361,857)	-	-	(6,361,857)
Issue of shares	370,000	-	-	-	370,000	3,548,322	-	-	-	3,548,322
Gain on investment in subsidiary	-	-	-	435,011	435,011	-	-	-	-	-
Issue of shares by Norwood Eyecare				(435,011)	(435,011)	-	-	-	-	-
Transfers	-	-	-	-	-	-	6,140,449	-	(6,140,449)	-
Closing balance	106,467,701	(111,257,955)	3,687,708	-	(1,102,546)	106,097,701	(110,356,783)	3,687,708	-	(571,374)

Notes to the financial statements are included on pages 6 to 30.

NORWOOD ABBEY LIMITED

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $
Cash flows from operating activities			
Receipts from customers		46,802	166,724
Payments to suppliers and employees		(1,241,512)	(2,510,375)
Interest received		697	36,089
Dividends received		988,970	-
Interest paid		(9,302)	(38,742)
Other revenue		-	52,568
Net cash used in operating activities	23(b)	(214,345)	(2,293,736)
Cash flows from investing activities			
Proceeds from repayment of loans		-	-
Payment for plant and equipment		-	(3,200)
Proceeds from borrowings		-	-
Proceeds on sale of plant and equipment		-	-
Payment for acquisition of intangible assets		-	-
Proceeds from sale of investments		-	-
Deconsolidation of controlled entity		-	-
Net cash provided/(used in) investing activities		-	(3,200)
Cash flows from financing activities			
Proceeds from borrowings		552,000	350,000
Repayment of notes		(70,000)	(1,516,857)
Repayment of borrowings		(102,226)	
Payment of share issue costs			-
Proceeds from issue of shares		70,000	3,548,323
Net cash provided by financing activities		449,774	2,381,466
Net (decrease) in cash and cash equivalents		235,431	84,530
Cash and cash equivalents at the beginning of the financial year		162,480	77,950
Effects of exchange rates on the balance of cash held in foreign currencies		-	-
Cash at the end of the financial year	23(a)	397,911	162,480

Notes to the financial statements are included on pages 6 to 30.

1. GENERAL INFORMATION

Norwood Abbey Limited (the company) is a listed public company, incorporated and operating in Australia.

Norwood Abbey Limited's registered office and its principal place of business are as follows:

Registered office
c/- Minter Ellison
Rialto Towers
Level 23
525 Collins Street
MELBOURNE VIC 3000

Principal place of business
Level 1
Dolphin House
405 Nepean Highway
FRANKSTON VIC 3199

2. SUMMARY OF ACCOUNTING POLICIES

This preliminary final report has been prepared in accordance with ASX listing rule 4.3 and the disclosure requirements of ASX Appendix 4E.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise stated.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Adoption of new and revised Accounting Standards

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

- AASB 101 'Presentation of Financial Statements (revised October 2006)'
- AASB 7 'Financial instruments: Disclosures'

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Going concern basis

The Consolidated entity is an emerging medical technologies business and as such expects to be cash absorbing until its technologies are commercialized. During the year ended 30 June 2009 the consolidated entity incurred a net loss of $901,172 and as of that date the consolidated entity's current liabilities exceeded its total assets by $1,102,546.

Whilst the consolidated entity and company do not have sufficient cash resources to fund their current level of activities for at least the next 12 months, and there are uncertainties as to the exact timing and form of additional fund raising, the directors have reasonable expectation that they can raise additional cash resources and or reduce costs during the period for this purpose. These financial statements have therefore been prepared on a going concern basis which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

The Directors believe the going concern basis of preparation to be appropriate given the following reasons:

During its lifetime Norwood Abbey Limited (NAL) has been able to attract funds to advance their technologies. To date the company has raised in excess of $102,000,000 in equity and a further $18,000,000 in convertible notes.

During the 2009 financial year, the company entered into a convertible note arrangement that raised $595,000 at an interest rate of 10% per annum. $70,000 was repaid during the financial year and a further $145,000 was repaid subsequent to the end of the 2009 financial year. The face value of the convertible notes outstanding at the date of this report is $380,000.

The consolidated entity and the company intends to continue attracting funds from these sources, where appropriate, supplemented by the following:

- The licensing of the Eyecare project targeted to generate upfront licensing fee(s) plus OEM revenues and or royalties. In addition, as part of the proposed Eyecare licensing strategy, it is intended the obligation for servicing patent and certain research and consulting costs be transferred to prospective licensee/s.
- Dividends from Norwood Immunology Limited upon the achievement of certain developmental milestones relating to the virosomal technology sold by Norwood Immunology Limited during the financial year and receipt by Norwood Immunology Limited of the relevant milestone payments. Further funds are expected to be received by Norwood Immunology Limited in the foreseeable future relating to convertible notes held in Mymetics, Inc., the company who purchased the virosomal technology from Norwood Immunolgy Limited. On 31 July, 2009, the shareholders of Norwood Immunology Limited voted in favour to wind down the operations of the company and remove it from the London Stock Exchange Alternative Investment Market with a view to limiting the cash out flows of the company until such time as future funds are received in order to maximize the returns to shareholders from those in flows.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Going concern basis (cont'd)

The consolidated entity and the company are actively managing the reduction of their debts through non-cash means. At the date of this report the company has reported that it has managed to significantly reduce its liabilities through both debt for equity substitutions and negotiated settlements with certain creditors and through the conversion of entitlements by directors and staff. The effect of these transactions on the balance sheet of the consolidated entity during and since the end of the financial year is a reduction in liabilities and increase in net assets of approximately $1,500,000. While there is no certainty, the directors believe that they will be able to convert additional debts into equity, further reducing the consolidated entity's liabilities.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the consolidated entity's and company's ability to effectively manage their expenditures, the directors believe that the consolidated entity and company will continue to operate as going concerns for the foreseeable future and therefore that it is appropriate to prepare the financial statements on a going concern basis.

In the event that the consolidated entity and the company are unable to raise sufficient funds as set out above, there is significant uncertainty whether the consolidated entity and company could continue as going concerns. If the consolidated entity and company are unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

Significant Accounting Policies

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

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the company (its subsidiaries)(referred to as 'the Group' in these financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

b) Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

d) Employee benefits

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

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

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Significant Accounting Policies (cont'd)

e) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity accounting method in the consolidated financial statements and the cost method in the company financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 11. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Impairment of financial assets

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

Any subsequent increase in fair value after impairment loss of available-for-sale equity instruments is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

f) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant Accounting Policies (cont'd)

f) Financial instruments issued by the company (cont'd)

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments. Interest is accrued at the effective interest rate on the carrying value of the debt.

g) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Norwood Abbey limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

Foreign operations are not considered to be self-sustaining and as such the Australian dollar is considered to be the functional currency of the foreign operations. On consolidation, the monetary assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date and non-monetary assets and liabilities are translated at historic rates prevailing at of acquisition. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the profit and loss statement.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant Accounting Policies (cont'd)

h) Goods and services tax

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

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

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

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

i) Impairment of assets – other than Goodwill

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Significant Accounting Policies (cont'd)

j) Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax for the period

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

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant Accounting Policies (cont'd)

k) Intangible assets

Patents, trademarks and licenses
Costs associated with the development of new products and technologies including the original patent application costs are capitalised.

Intellectual property and patents are recorded at the cost of acquisition. Intellectual property acquired through gaining control of the company's wholly owned subsidiaries is recorded at its fair value upon acquisition. The directors give due consideration to the technical and commercial life of the intellectual property and patents to determine their useful life. In the opinion of the directors the intellectual property does not have a finite useful life.

Patents are amortised on a straight line basis so as to write off the cost of each asset over its expected useful life. Amortisation of the intellectual property begins upon the commercialisation of the related project and continues over the period in which the corresponding benefits are expected to arise. The following useful lives are used in the calculation of amortisation:

- Patents & Intellectual Property 10 - 18 years

The directors regularly review the carrying value of the intellectual property and patents to ensure its carrying value does not exceed its recoverable amount, based on the cash flow forecast and advancement of project milestones.

Patent renewal costs are written off as an expense as they are incurred.

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

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

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

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Significant Accounting Policies (cont'd)

j) Income tax (cont'd)

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

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

Current and deferred tax for the period

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

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Norwood Abbey Limited is the head entity in the tax-consolidated group. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'stand alone taxpayer' approach.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Norwood Abbey Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

k) Intangible assets

Patents, trademarks and licenses

Costs associated with the development of new products and technologies including the original patent application costs are capitalised.

Intellectual property and patents are recorded at the cost of acquisition. Intellectual property acquired through gaining control of the company's wholly owned subsidiaries is recorded at its fair value upon acquisition. The directors give due consideration to the technical and commercial life of the intellectual property and patents to determine their useful life. In the opinion of the directors the intellectual property does not have a finite useful life.

Patents are amortised on a straight line basis so as to write off the cost of each asset over its expected useful life. Amortisation of the intellectual property begins upon the commercialisation of the related project and continues over the period in which the corresponding benefits are expected to arise. The following useful lives are used in the calculation of amortisation:

- Patents & Intellectual Property 10 - 18 years

The directors regularly review the carrying value of the intellectual property and patents to ensure its carrying value does not exceed its recoverable amount, based on the cash flow forecast and advancement of project milestones.

Patent renewal costs are written off as an expense as they are incurred.

l) Inventories

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

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Significant Accounting Policies (cont'd)

m) Leased assets

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

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

n) Plant and equipment

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

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

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

• Leasehold improvements	3 years
• Plant, equipment and office furniture	5 - 15 years
• Computer software	3 years
• Motor vehicles under finance lease	6 - 7 years

o) Provisions

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

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

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

<u>Restructuring</u>

Provision for restructurings are recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Significant Accounting Policies (cont'd)

n) Plant and equipment

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

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

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

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

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

Restructuring

Provision for restructurings are recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received

2. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant Accounting Policies (cont'd)

p) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Sale of goods

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

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend and interest revenue

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

q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

No amount has been recognised in the financial statements in respect of the other equity-settled share based payments.

Equity settled share based payment transactions with other parties are measured at fair value of the goods and services received, exceppt where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments grante, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

r) Standards and Interpretations issued not yet effective

At the date of authorization of the financial report, the following Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and company's financial report:

• AASB 101 'Presentation of Financial Statements' (revised September 2007)	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 8 – 'Operating Segments'	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 123 – 'Borrowing Costs' (revised)	Effective for annual reporting periods beginning on or after 1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

• IFRS 3 'Business Combinations' and IAS 27 ' Separate and Consolidated Financial Statements'	Effective for annual reporting periods beginning on or after 1 July 2009

	CONSOLIDATED	
	2009	2008
	$	$

3. REVENUE

	2009 $	2008 $
Continuing operations		
Revenue from sale of goods	72,172	122,477
Interest revenue	697	37,266
Dividends received	988,970	
Other revenue	-	16,286
	1,061,839	176,029

4. FINANCE COSTS

	2009 $	2008 $
Interest on obligations under finance lease	(4,970)	(8,756)
Interest on bank overdrafts and loans	(4,333)	(2,636)
Interest on convertible notes	(47,834)	(166,590)
	(57,137)	(177,982)
Attributable to:		
Continuing operations	(57,137)	(177,982)
Discontinued operations	-	-
	(57,137)	(177,982)

5. LOSS FOR THE YEAR

	CONSOLIDATED					
	Continuing		Discontinuing		Total	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
(a) Gains and losses						
Loss for the year has been arrived at after crediting/charging the following gains and losses:						
Gain on creditor settlements	986,406	-	-	-	986,406	-
Gain on investment in subsidiary	435,011				435,011	
Net foreign exchange gains/(losses)	(129,542)	107,973	-	-	(129,542)	107,973
	1,291,875	107,973	-	-	1,291,875	107,973
(b) Other expenses						
Loss for the year includes the following expenses:						
Cost of sales	(14,964)	(25,462)	-	-	(14,964)	(25,462)
Inventory:						
- Impairment of inventory value	-	-	-	-	-	-
Depreciation of non-current assets:						
- Plant and equipment	-	(65,330)	-	-	-	(65,330)
- Leased assets	-	(31,143)	-	-	-	(31,143)
	-	(96,473)	-	-	-	(96,473)
Operating lease rental expenses						
- Minimum lease payments	(3,541)	(10,885)	-	-	(3,541)	(10,885)
Employee benefits expense:						
- Post employment benefits:						
Defined contribution plans	1,538	(105,893)	-	-	1,538	(105,893)
	1,538	(105,893)	-	-	1,538	(105,893)
- Termination benefits	-	-	-	-	-	-
- Other employee benefits	(426,789)	(378,744)	-	-	(426,789)	(378,744)
	(425,251)	(484,637)	-	-	(425,251)	(484,637)

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $

6. INCOME TAXES

(a) The prima facie expense/(benefit) on pre tax accounting loss from operations is reconciled to the income tax expense in the financial statements as follows:

	2009 $	2008 $
Prima facie tax benefit on loss from ordinary activities at 30% (2008: 30%)	(270,352)	(1,908,557)
Add tax effect of:		
- Temporary difference and losses not recognised	296,243	1,860,098
- Non deductible expenses	54,218	48,459
	350,461	1,908,557
	80,109	-
Tax losses recognised as an offset	(80,109)	-
Income tax expense	-	-

(b) Recognised deferred taxes net of recognised losses:

	2009 $	2008 $
Deferred tax liabilities attributable to investment in associates	-	-
Tax losses recognised as an offset	-	-
	-	-

(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility occur:

	2009 $	2008 $
- temporary differences	16,897,172	16,600,929
- tax losses:		
- operating losses	19,537,898	19,618,007
- capital losses	-	-
	36,435,070	36,218,936

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $
7. CURRENT TRADE AND OTHER RECEIVABLES		
Trade receivables	245,351	255,867
Allowance for doubtful debts	(226,329)	(205,819)
	19,022	50,048
Goods and services tax (GST) recoverable	1,912	1,913
Other receivables	15,903	31,678
	36,837	83,639
8. OTHER CURRENT ASSETS		
Prepayments	-	3,693
9. OTHER FINANCIAL ASSETS		
Investments carried at cost:		
Non-current:		
Shares and options	5,696	5,696
Available-for-sale investments carried at fair value:		
Non-current:		
Shares and options	689,759	2,272,803
	695,455	2,278,500

During the year ended 30 June 2008, Norwood Abbey ceased to exert significant influence over Norwood Immunology. Accordingly equity accounting is no longer being used in respect of accounting for the investment in Norwood Immunology. Instead, the shares are recorded as an available for sale financial asset in accordance with AASB 139 “Financial Instruments: Recognition and Measurement” and are valued at the bid price on 30 June 2009, with changes in fair value recorded in the income statement. Norwood Abbey continues to hold 21.33% of the shares in Norwood Immunology.

10. PLANT AND EQUIPMENT

	Consolidated		
	Plant and Equipment at cost $	Equipment Under Finance Lease $	TOTAL $
Gross Carrying Value			
Balance at 1 July 2007	2,126,424	186,859	2,313,283
Additions	3,200	-	3,200
Balance at 30 June 2008	2,129,624	186,859	2,316,483
Balance at 30 June 2009	2,129,624	186,859	2,316,483
Accumulated Depreciation			
Balance at 1 July 2007	(1,997,591)	(80,447)	(2,078,038)
Impairment losses charged to profit	(94,824)	(90,842)	(185,666)
Depreciation expense	(37,209)	(15,570)	(52,779)
Balance at 30 June 2008	(2,129,624)	(186,859)	(2,316,483)
Balance at 30 June 2009	(2,129,624)	(186,859)	(2,316,483)
Net Book Value			
As at 30 June 2008	-	-	-
As at 30 June 2009	-	-	-

	CONSOLIDATED	
	2009 $	2008 $
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year		
Plant and equipment	-	37,209
Leased assets	-	15,570
	-	96,473

11. INTANGIBLE ASSETS

	CONSOLIDATED Patents $	Intellectual Property $	Total $
Gross Carrying Amount			
Balance at 1 July 2007	11,500,789	1,188,748	12,689,537
Balance at 30 June 2008	11,500,789	1,188,748	12,689,537
Balance at 30 June 2009	11,500,789	1,188,748	12,689,537

	CONSOLIDATED Patents $	Intellectual Property $	Total $
Accumulated amortisation and impairment			
Balance at 1 July 2007	11,500,789	1,188,748	12,689,537
Balance at 30 June 2008	11,500,789	1,188,748	12,689,537
Balance at 30 June 2009	11,500,789	1,188,748	12,689,537
Net book value			
As at 30 June 2008	-	-	-
As at 30 June 2009	-	-	-

(i) There has been no charge for the year included in the consolidated entities administration expenses (2008:$0)

12. ASSETS PLEDGED AS SECURITY

At 30 June 2009, in accordance with the security arrangements of liabilities, as disclosed in note 14 to the financial statements, certain financial and intangible assets of the company were pledged as collateral for those liabilities . At 30 June 2009 the carrying value of the assets pledged as security was $689,759. At 30 June 2008, the carrying value of assets pledged as security was nil.

13. CURRENT TRADE AND OTHER PAYABLES

	CONSOLIDATED 2009 $	2008 $
Trade payables	1,075,006	1,357,888
Accrued payables	589,204	1,107,839
	1,664,210	2,465,727

14. CURRENT BORROWINGS

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $
Secured:		
At amortised cost		
Notes payable (i)	525,000	-
Finance lease liability (ii) (note 21)	-	102,226
	525,000	102,226

(i) During the financial year ended 30 June 2009, the company raised $595,000 through the issue of 12 month convertible notes in three tranches. The notes were issued with an interest rate of 10% per annum with interest of $43,000 on the first two tranches (face value of $430,000) prepaid at the time of drawdown. The notes are convertible at $0.01 per share. These notes are secured, as disclosed in note 12, by the pledge of certain non current financial assets of the company. The carrying value of these assets at 30 June 2009 was $689,759. During the year ended 30 June 2009 the face value of the notes was reduced to $525,000 through the repayment of $70,000. Subsequent to 30 June 2009 the face value of the notes has been further reduced to $380,000 through the further repayment of $145,000.

(ii) Secured by the assets leased.

15. CURRENT PROVISIONS

	2009 $	2008 $
Employee benefits	43,539	248,682
Restructuring costs (note 17)	-	222,755
	43,539	471,437

16. NON-CURRENT PROVISIONS

	2009 $	2008 $
Employee benefits	-	60,296

17. PROVISIONS

	CONSOLIDATED Provision for Restructure and Termination(i) $
Balance at 1 July 2008	222,755
Reductions arising from payments/other sacrifices of future economic benefits	(222,755)
Balance at 30 June 2009	-
Current (note 15)	-

(i) The provision for restructure and termination costs represents the present value of the directors' best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity. The restructuring was significantly complete as at the end of the financial year.

18. ISSUED CAPITAL

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $
Fully paid ordinary shares		
374,529,319 fully paid ordinary shares (2008: 337,529,319)	106,467,701	106,097,701

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value

	COMPANY 2009 No.	COMPANY 2009 $	COMPANY 2008 No.	COMPANY 2008 $
Fully Paid Ordinary Shares				
Balance at beginning of financial year	337,529,319	106,097,701	214,537,305	102,549,379
Shares issued				
- cash	7,000,000	70,000	122,992,014	3,775,887
- non-cash	30,000,000	300,000	-	-
Share issue costs	-	-	-	(227,565)
Balance at end of financial year	374,529,319	106,467,701	337,529,319	106,097,701

Dividends

Fully paid ordinary shares carry one vote per share and carry the right to dividends. No dividends were declared or paid in respect of the year ended 30 June 2009 (2008:nil)

19. LOSS PER SHARE

	2009 Cents per share	2008 Cents per share
Basic and diluted earnings per share from continuing operations	(0.25)	(2.17)
Basic and diluted earnings per share from discontinued operations	-	-
Basic and diluted earnings per share	(0.25)	(2.17)

	2009 No.	2008 No.
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share and diluted earnings per share	360,134,798	292,983,811

All options on issue during the year are considered potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share.

All options on issue during the year are considered potential ordinary shares for the purposes of calculating diluted earnings per share. Potential ordinary shares that are not dilutive are excluded from the calculation of weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.

	2009 $	2008 $
Earnings used in the calculation of basic earnings per share and diluted earnings per share reconciles to the net profit in the income statement as follows:		
Net loss	901,172	6,361,857
Net loss used in the calculation of basic earnings per share and diluted earnings per share	901,172	6,361,857
Adjustments to exclude profit for the period from discontinued operations	-	-
	901,172	6,361,857

	2009 No	2008 No
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:		
Options – Ordinary shares	61,164,679	23,964,679

20. COMMITMENTS FOR EXPENDITURE

Lease Commitments
Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 21 to the financial statements.

21. LEASES

Finance Leases
Leasing Arrangements
Finance leases relate to motor vehicles with lease terms of 4 years. The consolidated entity has the option to purchase the vehicles for a nominal amount at the conclusion of the lease arrangements.

	CONSOLIDATED	
	2009 $	2008 $
Finance lease liabilities		
- Not later than 1 year	-	104,566
- Later than 1 year but not later than 5 years	-	-
Minimum lease payments (i)	-	104,566
Less future finance charges	-	(2,340)
Present value of minimum lease payments	-	102,226
Included in the financial statements as:		
Current borrowings (note 14)	-	102,226
	-	102,226

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

22. CONTINGENT LIABILITIES

Royalties:

(a) During 1994, Electrospect, Inc. (“Electrospect”) (formerly Transmedica International, Inc. which was acquired by the company on 23 December 1999) paid a licensing fee to Massachusetts General Hospital for a patent rights license agreement. The licence fee, net of accumulated amortisation, is included on the statement of financial position as patent costs. Under the terms of the agreement, Electrospect, Inc. will be required to pay additional royalties on products sold which are covered by the patent right. The directors consider that no royalties are due and payable as at 30 June 2009. Such royalties are to be computed at 5% of the net sales price in the case of products subject to exclusive licence and 2.5% for products non-exclusively licensed and 1% of the net sales price in the case of certain other products.

(b) On 14 June 2000, Norwood Abbey Limited entered into an agreement with University of Arkansas Medical Services (“UAMS”) to amend the royalty agreement between Electrospect, Inc. and UAMS dated 19 December 1994. This agreement provides for a maximum royalty at the rate of 2.5% of the net sales of devices manufactured for the withdrawal of blood or the delivery of local topical anaesthesia using a laser device (capped at $1,000,000 per annum). If a royalty is payable to a third party then the 2.5% rate shall be reduced by the percentage royalty payable to such a third party except that the royalty rate payable to UAMS shall never be less than 1.0%. The directors consider that no royalties are due and payable as at 30 June 2009.

(c) Other royalty obligations are considered not to be material on the basis that such obligations will either have expired prior to the first commercial sale, are capped at amounts which are not material or are predicated upon sales through particular distribution channels in respect of which Norwood Abbey Ltd has no obligation to sell.

23. NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED 2009 $	2008 $
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the cash flow statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash	397,911	162,480
(b) Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities		
Loss from ordinary activities after related income tax	(901,172)	(6,361,857)
Depreciation and amortisation of non-current assets	-	52,779
Unrealised foreign exchange loss/(gain)	158,655	(107,973)
Interest	43,000	139,240
(Gain)/Loss on disposal of non-current assets	(435,011)	(12,384)
Creditor recoveries	(986,406)	-
Impairment of investments	1,583,089	3,891,722
Impairment of non-current assets	-	185,666
Changes in net assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in current receivables	46,802	57,728
(Increase)/decrease in current prepayments	3,693	44,308
Increase/(decrease) in current payables	461,199	(109,591)
Increase/(decrease) in provisions	(188,194)	(73,374)
Net cash used in operating activities	(214,345)	(2,293,736)
(c) Finance facilities		
Lease finance facility, reviewed annually		
- amount used	-	102,226
- amount unused	-	247,774
		350,000
Equity line facility		
- amount used	-	-
- amount unused	-	2,000,000
	-	2,000,000

The company currently has a $2,000,000 equity facility with Global Emerging Markets Inc. which was renewed for 12 months in April 2009. This facility allows the company to draw down funds during the period of the facility. The total amount of funds available at any one draw down is dependent on trading volumes of NAL shares.

24. SUBSIDIARIES

Name of Entity	Country Of Incorporation	Ownership Interest	
		2009 %	2008 %
Parent Entity			
Norwood Abbey Limited (i)	Australia		
Subsidiaries			
Norwood Immunology, Inc.	U.S.A.	100	100
Norwood Devices Pty Ltd (ii)	Australia	100	100
Controlled Entity			
Norwood EyeCare Pty Ltd (ii)	Australia	65	95
Norwood Abbey, Inc.	U.S.A.	100	100
Eliza, Inc.	U.S.A.	100	100
Electrospect, Inc.	U.S.A.	100	100
Sightrate B.V.	Netherlands	100	100
Spectral BioSystems, Inc.	U.S.A.	100	100
Norwood Lasers U.K.	U.K.	100	100

(i) Norwood Abbey Limited is the head entity within the tax-consolidated group.
(ii) This company is a member of the tax-consolidated group.