**FOR IMMEDIATE RELEASE** **30 OCTOBER 2007**

**NORWOOD IMMUNOLOGY LIMITED**

**PRELIMINARY RESULTS**
**For The Year Ended 30 June 2007**

Norwood Immunology Limited and its subsidiaries **('Norwood Immunology' or 'the Group') (AIM:NIM),** the group focused on the rejuvenation of the immune system and the development of virosomal vaccines, today announces its preliminary consolidated results for the year ended 30 June 2007.

Financial Highlights

- The consolidated loss after tax for the year ended 30 June 2007 was A$4,863,767 (2006: A$6,714,549), approximately £2 million (2006: £2.8 million).

- Consolidated cash balances as at 30 June 2007 was A$5,720,438 (2006: A$237,805), approximately £2.2 million (2006: £0.1 million).

- Basic loss per share of –A$0.026 (2006: –A$0.054), approximately –£0.011 (2006: –£0.022).

All amounts expressed in pounds sterling have been converted, on a proforma basis, at the 30 June 2007 rate of A$1:£0.4235 (2006: A$1:£0.4021).

On 27 November 2006, the Group completed a £6.6m ($16.8m) fundraising before expenses, with the issue and placement of 55,000,000 ordinary shares. The funds raised have been used to advance the Group's clinical development plans and as part consideration for the contemporaneous acquisition (the 'Acquisition') of all of the issued shares of Bestewil Holding B.V. (Bestewil) and its 100% subsidiary Virosome Biologicals B.V. ('Virosome Biologicals'), both of which are incorporated in the Netherlands.

The total consideration for the Acquisition, comprised 48,014,489 ordinary shares in Norwood Immunology as part consideration and cash of €3.7m (A$6.2m), €0.225m (A$0.4m) which was paid prior to completion, €3m (A$5m) of paid on completion and €0.5m (A$0.8m) being deferred until 27 May 2008, with rolled up interest payable on the deferred amount at 6% per annum.

Corporate Development

- In November 2006, the Group completed its first acquisition of Bestewil and its wholly owned subsidiary Virosome Biologicals.

- Virosome Biologicals is currently developing and commercialising a proprietary platform technology for vaccines. The technology and associated intellectual property is based upon the combination of an adjuvant with virosomes to achieve an enhanced immune response to an antigen challenge and an improved process for their manufacture.

Commercial Development

- Overall progress in achieving the Group's aims has been slower than had been hoped during the year, principally as a result of delays in trial commencement or recruitment, rather than any technology setbacks. Action to address these delays is being taken by management, as far as this is within the Company's control.

- Norwood Immunology has a development pipeline with one Phase II pilot clinical study already completed in Melbourne, two clinical trials in Phase II and one that it is hoped will enter Phase II in 2008. It also has an out-licensing deal for each of its core technology platforms; for immune system rejuvenation with TAP Pharmaceutical Products, Inc. the US market leader in GnRH analogues; and, in respect of Virosome Biologicals a license with Solvay to use the virosome adjuvant technology in an intranasal flu vaccine.

*Immunology*

- The Group has two Phase II trials ongoing in the US. Firstly, a Phase II clinical trial in collaboration with The University of Texas MD Anderson Cancer Center, of Houston. This trial involves GnRH analogue Lupron Depot® being administered as an adjunctive immunology therapy with an experimental melanoma vaccine, to determine whether an enhanced immune response to that vaccine can be created. It is expected to involve up to 100 patients (50 treated; 50 control). Recruitment is progressing and interim results of the first 50 patients are expected in 2008.

- Secondly, a Phase II clinical trial in cancer patients undergoing autologous (self-derived) BMT in the USA. The trial comprises an 80 patient double-blind randomized Phase II clinical trial (40 treated; 40 control) at the University of Texas M D Anderson Cancer Center and the Dana-Farber Cancer Institute, Harvard Medical School. The aim is to determine whether there is enhanced immune recovery as a result of using Norwood Immunology's technology.

- Recruitment in the BMT trial has been progressing slower than anticipated. Accordingly, in conjunction with our trial partners, we have taken action to expand the active trial centres and five additional US centres are being added so as to speed the recruitment process.

- The Group continues to conduct the majority of its research on the immune system at the laboratories of Professor Richard Boyd, at Monash University, Melbourne, Australia. Through these laboratories the Group has sought collaborations with other institutions and grants to maximise the benefit received from the Group's sponsorship of the Boyd laboratory. This strategy has enabled the net cost of our research into the immune system to be significantly reduced, whilst enabling us to continue to benefit from the intellectual property created as a result of a significantly enhanced total research budget.

- In 2006 the Group announced a collaborative project with the Australian Stem Cell Centre ('ASCC'), to form an important new technology platform combining immune system research with stem cell know-how. This jointly funded research has been continued for 2007 and the intellectual property that results will be jointly owned by the ASCC and the Group.

- In October 2006, Monash University was awarded an A$5.23 million programme grant through the National Health and Medical Research Council's Programs scheme to sponsor research that will combine stem cell therapies with a rebuilding of a key part of the immune system -- the thymus -- to treat diseases such as autoimmune gastritis, multiple sclerosis and diabetes. A significant element of this grant will fund work undertaken in the Boyd laboratory, and the intellectual property arising will have direct benefit to the Group and its partner, the ASCC.

*Virosomal vaccines*

- Virosome Biologicals' adjuvanted virosome technology is licensed to Solvay specifically in the field of intranasal influenza vaccines. Solvay is responsible for clinical trials and development and commercialising of the vaccine. It successfully concluded a Phase I clinical trial in 2006. The vaccine was found to be safe and well tolerated. Solvay has advised that it intends to progress the vaccine into Phase II clinical trials which the Group now believes will commence in 2008. The commencement date has been delayed compared with original expectations. The delay is unfortunately out of the Company's control given the trial conduct and timetable are the responsibility of the licence partner.

- Following completion of pre-clinical studies, Virosome Biologicals, are also currently seeking to enter an out-licensing of both their intramuscular flu and Respiratory Syncytial virus ('RSV') programs. RSV is a severe respiratory infection particularly prevalent in the elderly and pre-term babies.

- During the first 6 months of 2007, Virosome Biologicals has established a small commercial research laboratory in Lieden to progress its pre-clincal research development programs including RSV, Herpes strain vaccines and the use of virosomes for efficient and efficacious delivery of RNAi. Virosome Biologicals is exploring partnerships with companies in the RNAi field to seek commercial opportunities for its delivery technology and is currently undertaking its first pre-clinical research collaboration in the field.

- Virosome Biologicals has also entered into two research collaborations with leading academic institutions in the Netherlands, which are substantially supported by grant funding:

    - As a member of a consortium supported by Top Institute Pharma, a Dutch public-private partnership aimed at supporting consortia of industrial and academic research teams with expertise in the fields of virology, immunology and vaccine development, Virosome Biologicals is participating in a new and promising research project developing intervention strategies for RSV infection. This collaborative research will be undertaken primarily at University Medical Center Groningen (UMCG) and will be based upon Virosome Biologicals' core technologies relating to the manufacture and application of adjuvanted virosomes to the development of a RSV vaccine.

    - The second collaboration relates to the development of stable virosome formulations for vaccination and delivery of nucleic acids, again in collaboration with UMCG, but in this instance financially supported by The Netherlands Technology Foundation. Producing vaccines in a stable dry formulation has significant implications for shelf life, storage and usability in a commercial context.

    - In respect to both these collaborations, the Group has access to, and rights to acquire, intellectual property that may be developed for commercial purposes.

Richard Williams, CEO of Norwood Immunology commented: 'The last 12 months have been another important period for the Group as we have absorbed the activities of Bestewil and its subsidiary Virosome Biologicals following the Acquisition. Overall, progress has been slower than expected, largely as a result of delays in trial commencement and recruitment and corrective action to mitigate this is being taken wherever possible. The enlarged group now has research capabilities in Europe and Australia, a joint intellectual property portfolio and a combined suite of clinical trials, including two currently in Phase II, and one which it is hoped will commence in 2008, all of which provides the potential for a range of commercial development and out-licensing opportunities within the field of immunology, vaccines and RNAi delivery. We are focussed on advancing the clinical programs working towards milestones and progressing our commercialisation and associated out-licensing opportunities during 2007/08.'

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**CHAIRMAN'S STATEMENT**

It is with pleasure that we present Norwood Immunology's preliminary results for the year ended 30 June 2007.

**BACKGROUND**

The Norwood Immunology group is focused on creating, manipulating and activating the immune system. The Group's principle activities are developing and commercialising technologies and intellectual property associated with the rejuvenation of the immune system (involving the re-growth of the thymus, generation of T cells and improved bone marrow function) and the development of adjuvanted virosomal vaccines. The Group is pursuing these technologies in research programs, clinical trials and commercial partnerships.

Norwood Immunology has identified a number of clinical contexts in which rejuvenating the thymus and the immune system could confer significant clinical benefits on patients, including oncology, therapeutic vaccines and achieving tolerance of transplanted organs or stem cells; with longer-term plans for viral diseases, autoimmune diseases and HIV/AIDS.

The Group had previously announced its intention to pursue value enhancing opportunities through partnering or mergers and acquisitions with projects or companies to secure development technologies, marketed products and/or marketing and development companies. These opportunities are focussed on broadening the technology base in immunology and related therapeutic fields.

Overall progress in achieving the group's aims has been slower than had been hoped during the year, principally as a result of delays in trial commencement or recruitment rather than any technology setbacks. Action to address these delays is being taken by management, as far as this is within the Company's control.

## Corporate Development

During the year, the Group completed the acquisition of Bestewil and its wholly owned subsidiary Virosome Biologicals.

Virosome Biologicals is developing and commercialising a proprietary platform technology for vaccines. The technology and associated intellectual property is based upon the combination of an adjuvant with virosomes to achieve an enhanced immune response to an antigen challenge, and an enhanced process for their manufacture.

The virosome technology is a proprietary platform technology, principally for vaccines. Virosomal vaccines are already on the market, but Virosome Biologicals' technology produces vaccines with significantly greater efficacy,

that are better targeted to the relevant part of the immune system through the incorporation of an adjuvant into the virosome. The technology is based on intellectual property relating to a new method of making virosomes as well as the combination of an adjuvant (immune response stimulator) in the membrane of the virosome that targets them specifically to antigen presenting cells or B cells.

The Group believes that this technology will result in a significantly enhanced immune response to an antigen challenge which may, therefore, offer greatly improved efficiency in comparison with other existing virosome technologies that are in the market.

Virosome Biologicals' adjuvanted virosome technology has its first out-license in the field of intranasal influenza vaccines with Solvay Pharmaceuticals B.V. ("Solvay"), with milestones and royalties payable to Virosome Biologicals as the clinical development and commercialisation programme progresses. Solvay is responsible for clinical trials and development and commercialising of the vaccine. Having successfully completed a phase I trial in May 2006 Solvay are progressing the program into a Phase II trial, which is now expected to commence in 2008. This commencement date is a delay compared with original expectations, which unfortunately is out of the Company's control given the trial conduct and timetable are the responsibility of its licence partner.

In addition to vaccine applications, Virosome Biologicals has developed expertise in RNA interference (RNAi). RNAi represents a novel approach to "silence" disease relevant genes and could generate a completely new class of therapeutic products. One of the main barriers to the clinical development of RNAi is the ability to deliver RNAi molecules to the relevant target in the body. Virosome Biologicals has demonstrated in pre-clinical research the use of virosomes for efficient and efficacious delivery of RNAi and holds a patent on RNAi delivery via virosomes. Accordingly, Virosome Biologicals is exploring partnerships with companies in the RNAi field to seek commercial opportunities for its delivery technology and is currently undertaking its first pre-clinical research collaboration in the field.

The enlarged group now has research capabilities in Europe and Australia, a joint intellectual property portfolio and a combined suite of clinical trials, all of which provides the potential for a range of commercial development and out-licensing opportunities within the field of immunology, vaccines and RNAi delivery.

In the course of the year, the Company evaluated a number of other potential commercial collaborations, acquisitions and/or mergers, but concluded that none of these potential commercial opportunities was in the best interests of shareholders. The Group continues to look for further opportunities to enhance shareholder value through mergers or acquisitions.

## COMMERCIAL DEVELOPMENT

Norwood Immunology has a strong development pipeline with one Phase II pilot clinical study already completed in Melbourne, two clinical trials in Phase II and one that is hoped will enter Phase II in 2008. It already has in place an out-licensing deal for each of its core technology platforms; for immune system rejuvenation with TAP Pharmaceutical Products, Inc., the US market leader in GnRH analogues; and, in respect of Virosome Biologicals a license with Solvay to use the virosome adjuvant technology in an intranasal flu vaccine.

*Immunology*

In November 2005, the Group commenced a Phase II clinical trial in collaboration with The University of Texas M D Anderson Cancer Center, of Houston, to determine whether an enhanced vaccine response can be achieved by using the Group's therapy to increase thymic activity and the output and function of T-cells via sex steroid suppression using the GnRH analogue Lupron Depot®. This study is differentiated from the bone marrow transplant ("BMT") work discussed below, in that the aim is to modify the course of cancer using a specific vaccine as opposed to looking at general immune system enhancement.

The trial involves Lupron Depot® being administered as an adjunctive immunology therapy with an experimental melanoma vaccine, to determine whether an enhanced immune response to that vaccine can be created. It is expected to involve up to 100 patients (50 treated; 50 control). Recruitment is progressing and interim results of the first 50 patients are expected in 2008.

In February 2006, the Group announced the commencement of a Phase II clinical trial in cancer patients undergoing autologous (self-derived) BMT in the USA. The trial comprises an 80 patient double-blind randomized Phase II clinical trial (40 treated; 40 control) at the University of Texas M D Anderson Cancer Center and the Dana-Farber Cancer Institute, Harvard Medical School. The trial is a collaborative effort with a consortium of leading cancer clinicians and institutes, co-funded by the National Cancer Institute and the National Institute of Allergy and Infectious Diseases.

The trial is being conducted in patients receiving high dose myeloablative chemotherapy therapy and autologous haemopoietic stem cell transplants (HSCT), more commonly referred to as BMT, for the treatment of Hodgkin's disease, non-Hodgkin's lymphoma or multiple myeloma. The aim is to determine whether there is enhanced immune recovery as a result of using Norwood Immunology's technology.

It has been disappointing that recruitment has progressed at a slower rate than was originally anticipated. In order to endeavour to increase recruitment and obtain data at the earliest possible opportunity, and in conjunction with our trial partners, the Group has expanded the number of active trial centres. Five additional US centres are being added: Duke University, Memorial Sloane-Kettering, Washington University, Ohio State and University of Florida.

The Group continues to conduct the majority of its research on the immune system at the laboratories of its Chief Scientific Officer (Immunology), Professor Richard Boyd, at Monash University, Melbourne, Australia. Under the terms of an agreement between Monash and the Group, relevant intellectual property developed in the Boyd laboratory at Monash is assigned to the Group.

The Group has continued our strategy of seeking collaborations with other institutions and of applying for grants to maximise the benefit received from the Group's sponsorship of the Boyd laboratory. This strategy has enabled the net cost of our research into the immune system to be significantly reduced, whilst enabling us to continue to benefit from the intellectual property created as a result of a significantly enhanced total research budget at the Boyd laboratory.

In 2006 the Group announced a collaborative project with the Australian Stem Cell Centre ('ASCC'), to form an important new technology platform combining immune system research with stem cell know-how. The research focuses on controlling the immune system to minimise rejection of stem cell therapies introduced into the body. Immune rejection stands as one of the major hurdles facing stem cell researchers in developing potential clinical treatments and hence this research may enable the successful engraftment of stem cells to repair organs and tissues that are damaged as a result of disease processes.

This collaborative, jointly funded research has been continued for 2007; the intellectual property that results from the work will be jointly owned by the ASCC and the Group.

In October 2006, Monash University was awarded an A$5.23 million programme grant through the National Health and Medical Research Council's Programs scheme to sponsor research that will combine stem cell therapies with a rebuilding of a key part of the immune system -- the thymus -- to treat diseases such as autoimmune gastritis, multiple sclerosis and diabetes. A significant element of this grant will fund work undertaken in the Boyd laboratory, and the intellectual property arising will have direct benefit to the Group and its partner, the ASCC.

The ability to attract these grants is a testament to the innovative research being pursued at Monash and the high regard in which the Boyd laboratory is held by the scientific community.

*Virosomal Vaccines*

Virosome Biologicals' adjuvanted virosome technology is licensed to Solvay specifically in the field of intranasal influenza vaccines, with milestones and royalties payable to Virosome Biologicals as the clinical development and commercialisation programme progresses. Solvay is responsible for clinical trials and development and commercialising of the vaccine. It successfully concluded a Phase I clinical trial with the intranasal influenza vaccine, triggering a milestone payment of €500,000 (approximately A$834,168) to Virosome Biologicals in 2006. The vaccine was found to be safe and well tolerated. Unlike certain other nasal flu vaccines, this trial does not use live influenza virus. Solvay previously advised that they planned to progress the vaccine into Phase II clinical trials. These trials have not commenced as quickly as originally envisaged but are expected to commence in 2008 a year later than had originally been hoped at the time of acquisition.

Following completion of pre-clinical studies, Virosome Biologicals, are also currently seeking to enter an out-licensing of both their intramuscular flu and Respiratory Syncytial virus ('RSV') programs.

During the first 6 months of 2007 Virosome Biologicals has established a small commercial research laboratory in Lieden to progress its pre-clincal research development programs. These include RSV, Herpes strain vaccines and the use of virosomes for efficient and efficacious delivery of RNAi, a technology over which it also has intellectual property. Virosome Biologicals is already exploring partnerships with companies in the RNAi field to seek commercial opportunities for its delivery technology and is currently undertaking its first pre-clinical research collaboration in the field.

Furthermore, during 2007, Virosome Biologicals has entered into two research collaborations with leading academic institutions in the Netherlands, which are substantially supported by grant funding. The ability to attract grant funding in furtherance of its development program allows it to leverage its core intellectual property and expertise in the field of virosomal vaccines with financial and resource input from other leaders in the field.

As a member of a consortium supported by Top Institute Pharma, a Dutch public-private partnership aimed at supporting consortia of industrial and academic research teams with expertise in the fields of virology, immunology and vaccine development, Virosome Biologicals is participating in a new and promising research project developing intervention strategies for RSV infection. RSV is a severe respiratory infection particularly prevalent in the elderly and pre-term babies. This collaborative research will be undertaken primarily at University Medical Center Groningen (UMCG) and will be based upon Virosome Biologicals' core technologies relating to the manufacture and application of adjuvanted virosomes to the development of a RSV vaccine.

The second collaboration relates to the development of stable virosome formulations for vaccination and delivery of nucleic acids, again in collaboration with UMCG, but in this instance financially supported by The Netherlands Technology Foundation. The ability to produce vaccines in a stable dry formulation has significant implications for shelf life, storage and usability in a commercial context and could hold important benefits for the Group's vaccine development strategy.

In respect to both these collaborations, the Group has access to, and rights to acquire, intellectual property that may be developed for commercial purposes.

**INTELECTUAL PROPERTY DEVELOPMENT**

*Immunology*

Since 30 June 2006, 3 additional patents have been granted across the Group's 13 patent families. Currently, the Group's patent portfolio consists of 22 granted applications and 87 pending applications.

The granted patents comprise 4 granted patents in the "Improvement of T cell immunity" patent family and 4 granted patents in the "Treatment of T cell disorder" patent family. We have also received grant of patents in Singapore, New Zealand and South Africa in a number of our patent families.

*Virosomal Vaccines*

Bestewil has 6 patent families with 8 granted applications.

With respect of the core lipopeptide patent, Bestewil first patent has been granted in the field of virosome vaccination, in South-Africa. The patent derives from PCT patent family "Functionally reconstituted viral membranes containing adjuvant".

The South-African patent office has granted the patent with 15 claims, relating to the production of virosomes containing adjuvant. The main claims concern virosomes containing antigens from viruses or other pathogens, combined with adjuvants that are an integral part of the virosome membrane. The other granted patents comprise 7 granted for the "Virosome mediated delivery of therapeutic agents" in Europe.

**FINANCIAL REVIEW**

The consolidated loss after tax for the year ended 30 June 2007 was A$4,863,767 (2006: A$6,714,549), approximately £2 million (2006: £2.8 million). Consolidated cash balances as at 30 June 2007 was A$5,720,438 (2006: A$237,805), approximately £2.2 million (2006: £0.1 million). All amounts expressed in pounds sterling have been converted, on a proforma basis, at the 30 June 2007 rate of A$1:£0.4235 (2006: A$1:£0.4021).

In September 2006, the Group entered into a secured facility agreement with Indus Opportunity Master Fund, Ltd ('Indus') for A$1 million (the "Loan") to fund the Group whilst a new capital raising was completed. On 27 October 2006 the facility was extended to up to A$2 million with repayment by no later than 30 June 2008. At the time the facility was extended, Indus was also granted the option to convert any or all of the outstanding balance in ordinary shares at an issue price of £0.12 per share. As at 30 June 2007 the loan had been repaid, no further funds have been drawn down against that facility up to the date of the accounts.

On 27 November 2006 the Group completed a £6.6m ($16.8m) fundraising before expenses, with the issue and placement of 55,000,000 ordinary shares.

The funds raised at the time of our admission to AIM, and from the subsequent issue of shares, have been used to advance the Group's clinical development plans and as part consideration for the acquisition (the 'Acquisition') of all of the issued shares of Bestewil Holding B.V. (Bestewil) and its 100% subsidiary Virosome Biologicals B.V. ('Virosome Biologicals'), both of which are incorporated in the Netherlands. The total consideration for the Acquisition, comprised 48,014,489 ordinary shares in Norwood Immunology ("Acquisition Shares") as part consideration and cash of €3.7m (A$6.2m), €0.225m (A$0.4m) which was paid prior to completion, €3m (A$5m) of paid on completion and €0.5m (A$0.8m) being deferred until 27 May 2008, with rolled up interest payable on the deferred amount at 6% per annum.

In accordance with permissible accounting standards for AIM, as set out in AIM Notice 22, the Group has adopted Australian IFRS for ongoing financial information with effect from the year ended 30 June 2006.

**SUMMARY AND OUTLOOK**

The Board is disappointed at the delay in the commencement of the Solvay Phase II clinical study re the virosomal vaccine for intra nasal influenza, and also at the slow rate of recruitment of patients in respect to its Phase II BMT/ cancer study in the U.S. Nevertheless, the Company has been encouraged by progress with respect to its Lupron/vaccination Phase II clinical trial in the U.S., and is hopeful of being in a position to release a report detailing interim results in the first half of 2008.

Finally, the Board would like to express its appreciation to all our shareholders for their continued support throughout this period and we look forward to progressing the Group's clinical development and commercialisation in 2007/08.

Peter Hansen
Chairman
30 October 2007

## Consolidated Income Statement
## Year ended 30 June 2007

| | Note | 2007 A$ | 2006 A$ |
|---|---|---|---|
| Other income/(expense) | | 349,554 | 191,847 |
| Depreciation and amortization expense | | (23,444) | (27,653) |
| Employee benefits expense | | (1,473,436) | (1,220,998) |
| Finance costs | | (202,791) | (42,911) |
| Insurance | | (83,859) | (104,463) |
| Investor relations | | (230,829) | (184,276) |
| Legal costs | | (146,872) | (480,391) |
| Net foreign exchange loss | | (245,827) | - |
| Former parent entity management fees | | (80,000) | (490,000) |
| Patent costs | | (53,946) | (18,725) |
| Professional fees | | (275,115) | (457,969) |
| Travel expenses | | (268,342) | (307,053) |
| Research and development costs immediately expensed | | (1,044,293) | (2,582,211) |
| Impairment of non-current assets | | (637,641) | - |
| Change in fair value of financial assets classified fair value through profit and loss | | - | (810,630) |
| Other expenses from ordinary activities | | (446,926) | (179,116) |
| Loss before tax | | (4,863,767) | (6,714,549) |
| Income tax expense | | - | - |
| Loss for the year | | (4,863,767) | (6,714,549) |
| | | | |
| Loss per share | | | |
| Basic | 3 | (0.026) | (0.054) |
| Diluted | 3 | (0.026) | (0.054) |

All activities derive from continuing operations.

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account.

# Consolidated Balance Sheet
# As at 30 June 2007

| | Note | 2007 A$ | 2006 A$ |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | | 5,720,438 | 237,805 |
| Trade and other receivables | | 82,488 | 18,233 |
| Other | | 156,359 | 107,085 |
| Total current assets | | 5,959,285 | 363,123 |
| | | | |
| Non-current assets | | | |
| Other financial assets | 4 | 11,176 | - |
| Plant and equipment | | 247,632 | 7,052 |
| Goodwill | 5 | 2,100,000 | - |
| Other intangible assets | 6 | 22,732,609 | 5,008,423 |
| Total non-current assets | | 25,091,417 | 5,015,475 |
| | | | |
| Total assets | | 31,050,702 | 5,378,598 |
| | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,248,147 | 935,326 |
| Other financial liabilities | 7 | 821,439 | 1,223,793 |
| Provisions | | 39,828 | 76,760 |
| Total current liabilities | | 2,109,414 | 2,235,879 |
| | | | |
| Non-current liabilities | | | |
| Provisions | | 46,762 | - |
| Total non-current liabilities | | 46,762 | - |
| | | | |
| Total liabilities | | 2,156,176 | 2,235,879 |
| | | | |
| Net assets | | 28,894,526 | 3,142,719 |
| | | | |
| Equity | | | |
| Issued capital | 8 | 57,842,753 | 27,227,179 |
| Other reserve | | - | - |
| Accumulated losses | 8 | (28,948,227) | (24,084,460) |
| Total equity | | 28,894,526 | 3,142,719 |

## Consolidated Cash flow Statement
## for the financial year ended 30 June 2007

| | Note | 2007 A$ | 2006 A$ |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Receipts from customers | | 123,683 | - |
| Payments to suppliers and employees | | (3,810,493) | (5,418,258) |
| Interest and other costs of finance paid | | (175,002) | (42,911) |
| Net cash used in operating activities | 9 | (3,861,812) | (5,461,169) |
| | | | |
| Cash flows from investing activities | | | |
| Interest received | | 207,030 | 154,555 |
| Payment for plant and equipment | | (256,556) | (1,655) |
| Payment for intangible assets | | (109,165) | (412,881) |
| Purchase of business | 10 | (5,242,599) | - |
| Purchase of other financial assets | | (11,176) | - |
| Payment for investment securities | | - | (810,630) |
| Net cash used in investing activities | | (5,412,466) | (1,070,611) |
| | | | |
| Cash flows from financing activities | | | |
| Payment for share issue costs | | (537,330) | - |
| Proceeds from issue of shares | | 16,805,945 | - |
| Repayment of borrowings | | (1,223,793) | - |
| Net cash provided by financing activities | | 15,044,822 | - |
| | | | |
| Net decrease in cash and cash equivalents | | 5,770,544 | (6,531,780) |
| Cash and cash equivalents at the beginning of the year | | 237,805 | 6,769,585 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (287,911) | - |
| Cash and cash equivalents at the end of the year | | 5,720,428 | 237,805 |

## NOTES TO THE FINANCIAL INFORMATION

1 Basis of preparation

The figures and financial information for the year ended 30 June 2007 do not constitute the statutory financial statements within the meaning of section 240 of the Companies Act 1985 but are derived from the audited financial statements.

The financial information for both the years ended 30 June 2007 and 30 June 2006 has been extracted from the audited financial statements for the year ended 30 June 2007. The auditor's report on those accounts was unqualified.

In accordance with permissible accounting standards for AIM, as set out in AIM Notice 22, the Group has adopted Australian IFRS for ongoing financial information with effect from the year ending 30 June 2006.

The financial information in this announcement has been prepared on the basis of Australian IFRS and the accounting policies as set out in the most recently published set of annual financial statements. The preliminary results and prior year comparative results have been prepared using accounting policies consistent with those adopted in the audited financial statements for the year to 30 June 2007. This includes prior year comparatives for the year to June 2006.

The audited statutory financial statements for the year ended 30 June 2007 are being distributed to shareholders from tomorrow, 31 October 2007, and will be available from the Group's website www.norwoodimmunology.com. This preliminary announcement was approved by the board of Norwood Immunology Limited on 29 October 2007.

2 Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

To continue as a going concern the Group requires the continued support of its lenders and/or shareholders or to raise new facilities or equity from other parties.

The Group is an emerging pharmaceutical business and as such expects to be cash absorbing until its technologies are commercialised. For the financial year ended 30 June 2007 the consolidated entity incurred a net loss of $4,863,767 (Company: $4,201,901) and experienced negative cash flows from operations of $3,861,812 (Company: $3,664,563).

Whilst there are uncertainties as to the exact timing and form of additional fund raising necessary to fund the current level of activities of the Group for at least the next 12 months, the directors have a reasonable expectation that it can raise additional cash resources 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 realisation 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:

- The Group entered into a loan agreement with Indus in 2006 raising a working capital facility of up to $2,000,000. This facility remains in place until June 2008 and was wholly unutilised at 30 June 2007;

- During its lifetime, the Group has been able to attract funds in the form of equity capital and debt to advance development programs; and
- The Group's expected equity raising and/or extension of its debt facilities are expected to provide sufficient funding to allow the Group to pay its debts as and when they become due and payable;

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the Group's ability to effectively manage its expenditures and cash flows from operations, the directors believe that the Group will continue to operate as a going concern for the foreseeable future and therefore it is appropriate to prepare the financial statements on a going concern basis.

In the event that the Group is unable to raise sufficient funds as set out above, there is uncertainty whether the Group can continue as a going concern. If the Group is unable to continue as a going concern, it may be required to realise its assets and extinguish its 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 classification of liabilities that might be necessary should the Group not continue as a going concern.

3 Basic and diluted loss per ordinary share

The calculations of earnings per share are based on the following losses and numbers of shares.

| | **2007 A$** | **2006 A$** |
|---|---|---|
| Retained loss for the financial year: | (4,863,767) | (6,714,549) |
| | No. | No. |
| Weighted average number of shares: | | |
| For basic earnings per share | 185,362,472 | 123,911,463 |
| Exercise of share options | - | - |
| For diluted earnings per share | 185,362,472 | 123,911,463 |

EPS has been prepared using Australian IFRS results but consistent with UK GAAP under FRS 14, presentation of diluted EPS is required when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. The loss and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for the basic earnings per ordinary share, as the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive.

4 Other non-current financial assets

| | 2007 A$ | 2006 A$ |
|---|---|---|
| Other | 11,176 | - |
| | 11,176 | - |

At 30 June 2007 the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

5 Goodwill

| | 2007 A$ | 2006 A$ |
|---|---|---|
| Gross carrying amount: | | |
| Balance at beginning of financial year | - | - |
| Additional amounts recognized from business combinations occurring during the period | 2,100,000 | - |
| Balance at end of financial year | 2,100,000 | - |
| Net book value | | |
| As at 30 June 2006 | - | - |
| As at 30 June 2007 | 2,100,000 | - |

The arms length transaction to acquire Virosome Biologicals was only 7 months prior to year end and there has been no erosion of value in the 7 months post purchase. As such, fair value (acquisition cost) less cost to sell is still appropriate valuation method to test impairment. Management therefore believes that at 30 June 2007 there has should be no impairment to the carrying value of the goodwill and the in process research and development projects.

6 Other intangible assets

| **Gross carrying value** | **In-process R&D A$** | **Patents A$** | **Total A$** |
|---|---|---|---|
| Balance at 1 July 2005 | - | 4,619,735 | 4,619,735 |
| Additions from internal developments | - | 412,880 | 412,880 |
| Net revaluation increments/(decrements) | - | - | - |
| Balance at 30 June 2006 | - | 5,032,615 | 5,032,615 |
| Additions from internal developments | - | 109,165 | 109,165 |
| Net revaluation increments/(decrements) | - | - | - |
| Increase through business combinations | 18,258,031 | - | 18,258,031 |
| Balance at 30 June 2007 | 18,258,031 | 5,141,780 | 23,399,811 |

| Accumulated amortisation | In-process R&D A$ | Patents A$ | Total A$ |
|---|---|---|---|
| Balance at 1 July 2005 | - | - | - |
| Amortisation expense | - | 24,192 | 24,192 |
| Balance at 30 June 2006 | - | 24,192 | 24,192 |
| Amortisation expense | - | 5,369 | 5,369 |
| Impairment losses charged to profit (i) | - | 637,641 | 637,641 |
| Balance at 30 June 2007 | - | 667,202 | 667,202 |

| Net book value | In-process R&D A$ | Patents A$ | Total A$ |
|---|---|---|---|
| As at 30 June 2006 | - | 5,008,423 | 5,008,423 |
| As at 30 June 2007 | 18,258,031 | 4,474,578 | 22,732,609 |

(i) Management has assessed the stage of development and time to complete clinical studies associated with IP for certain NIM technologies, principally autoimmune and diagnostic. Management believes that a prudent application of AASB 136 leads to a write down of certain patents as an impairment.

Due to the extended timeline of those projects there is greater ambiguity over how the intangible asset will generate future economic benefits due to the potential availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset to create future economic benefits. However, management continues to believe that there is still potential for successful development of this intellectual property and expect the recovery of a future economic benefit from its ultimate commercialization.

7 Current borrowings

| | 2007 A$ | 2006 A$ |
|---|---|---|
| Unsecured | | |
| Deferred consideration (i) | 821,439 | - |
| Loans from parent entity (ii) | - | 1,223,793 |
| | 821,439 | 1,223,793 |

(i) On 27 November 2006 the Consolidated entity completed the acquisition of all of the issued shares of Bestewil. As part of the consideration for the acquisition a payment of €0.5 million (A$838,082) is deferred until 27 May 2008, the balance above is discounted to present value using an interest rate of 6% per annum.

(ii) Management fees payable to Norwood Abbey Limited on 31 December 2006. Interest calculated at an average of 6.33% p.a. (2006: 5.75% p.a.)

8 Statement of Changes in Equity for the Financial Year Ended 30 June 2007

| | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Issued capital A$** | **Accumulated losses A$** | **Other reserves A$** | **Total A$** | **Issued capital A$** | **Accumulated losses A$** | **Other reserves A$** | **Total A$** |
| Opening balance | 27,227,179 | (24,084,460) | - | 3,142,719 | 27,227,179 | (17,369,911) | 291,000 | 10,148,268 |
| Loss for the period | - | (4,863,767) | - | (4,863,767) | - | (6,714,549) | - | (6,714,549) |
| Reversal of share-based payments | - | - | - | - | - | - | (291,000) | (291,000) |
| Total recognized income/(expense) | 27,227,179 | (28,948,227) | - | (1,721,048) | 27,227,179 | (24,084,460) | - | 3,142,719 |
| Issue of shares | 31,152,904 | - | - | 31,152,904 | - | - | - | - |
| Share issue costs | (537,330) | - | - | (537,330) | - | - | - | - |
| Closing balance | 57,842,753 | (28,948,227) | - | 28,894,526 | 27,227,179 | (24,084,460) | - | 3,142,719 |

| Issued capital | No. |
|---|---|
| Number at 1 July 2006 | 123,911,463 |
| Shares issued during period | 104,329,924 |
| Number at 30 June 2007 | 228,241,387 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

9 Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities

| | **2007 A$** | **2006 A$** |
|---|---|---|
| Loss for the year | (4,863,767) | (6,714,549) |
| Depreciation | 24,442 | 27,653 |
| Net unrealised foreign exchange loss/(gain) | 245,827 | (37,292) |
| Interest received | (207,030) | (154,554) |
| Non-cash interest | 27,789 | - |
| Impairment of non-current asset | 637,641 | 810,630 |
| Reversal of share-based payments | - | (291,000) |
| Decrease/(increase) in current receivables | (60,746) | 14,054 |
| Increase in current prepayments | 177,698 | 56,243 |
| Increase/(decrease) in current payables | 146,504 | 815,837 |
| Increase in provisions | 9,830 | 11,809 |
| Net cash used in operating activities | (3,861,812) | (5,461,169) |

10 Acquisition of businesses

| Name of business acquired | Principal activity | Date of acquisition | Proportion of shares acquired (%) | Cost of acquisition A$ |
|---|---|---|---|---|
| Bestewil Holding B.V. | Developing and commercializing a proprietary platform technology for vaccines | 27/11/2006 | 100 | 21,263,154 |

| Net assets acquired | Book value | Fair value adjustment | Fair value on acquisition | Total fair value on acquisition |
|---|---|---|---|---|
| Current assets | | | | |
| Cash & cash equivalent | 835,514 | - | - | 835,514 |
| Current trade and other receivables | 3,509 | - | - | 3,509 |
| Other | 226,972 | - | - | 226,972 |
| Non-current assets | | | | |
| Patents | 13,212 | (13,212) | - | - |
| Plant & equipment | 2,099 | - | - | 2,099 |
| In process R&D | - | - | 18,258,031 | 18,258,031 |
| Current liabilities | | | | |
| Trade & other payables | (162,971) | - | - | (162,971) |
| | 918,335 | (13,212) | 18,258,031 | 19,163,154 |
| Goodwill on acquisition | | | | 2,100,000 |
| | | | | 21,263,154 |
| Consideration | | | | |
| Cash & cash equivalents | | | | 5,431,343 |
| Transaction costs capitalized | | | | 646,770 |
| Ordinary shares | | | | 14,346,959 |
| Deferred purchase consideration | | | | 838,082 |
| | | | | 21,263,154 |

The assets and liabilities acquired are stated at their fair values, using an exchange rate at the date of acquisition of A$1:Euro 0.5994. Fair values are equal to the carrying value in the books of the acquirer immediately prior to the acquisition with the exception of identifiable intangibles which have been subject to a separate valuation.

Identifiable intangibles have been valued using a discounted cash flow model, based on the following:

- Tax rate of 29.1% (the corporate tax rate in the Netherlands),
- Expected life of the In process R&D is based on 20 years (determined by the availability of patent protection).
- Expected probability-adjusted future cash flows
- WACC – 25%

Goodwill arose in the business combination due to benefits of expected synergies and the highly skilled workforce in place, including its technical expertise.

11 Contingent liabilities

On 1 August 2005, the Company signed a contract research agreement with The General Hospital Corporation (Massachusetts General Hospital), in terms of the agreement the Company is contracted for a total AUD 1, 660,000 ( USD 1,212,000) of which AUD388,618 (approximately USD289,000) has been either paid or accrued to 30 June 2007. The funding commitment is staggered and based on a number of specific stages and sub-stages, at each of these stages the Company has to sign-off the commencement of the next phase. This gives the Company the opportunity to halt the trial and limit funding commitment. The agreement can be terminated at any time at the request of either party.

Other then the items disclosed, there has been no other change in contingent liabilities since the interim statement date.

12 Events after the balance sheet date

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operation of the Group, the results of those operations, or the state of affairs of the Group in the future financial periods.

**END**