Annual Report **2010**

cellestis

TEN YEARS

2000-2010
& TOWARDS THE FUTURE

Company formed.

Listed on the Australian Securities Exchange.

cellestis

$0.2m

QuantiFERON-TB approved by US FDA.

US office established.

Early clinical trials of QuantiFERON-TB Gold begun.

$0.4m

CDC Guidelines released for QuantiFERON-TB.

Cellestis launches website as key marketing initiative.

$1.0m

QuantiFERON-TB Gold released in Europe.

More than 34 trials of QuantiFERON-TB Gold to date.

$1.9m

$5.3m

FDA approval and release of QFT-Gold in USA.

QuantiFERON-TB Gold In-Tube released in Europe.

European office established.

Approval and release of QFT-Gold in Japan.

$10.7m

QuantiFERON-TB Gold guidelines released by CDC.

QuantiFERON-TB Gold receives reimbursement in USA and Japan.

Guidelines for use of QFT-Gold released in Japan and UK.

First IGRA Symposium held in Vancouver.

French and German national guidelines issued.

$18.8m

QuantiFERON-TB Gold In-Tube FDA approval.

Landmark study shows QFT-Gold to be 6x more effective for TB control.

Regional office opened in Japan.

QFT-Gold In-Tube FDA APPROVED QFT-Gold In-Tube

$34.5m

QuantiFERON-TB Gold In-Tube guidelines released by CDC.

Over 400 QFT-related papers to date.

Meta-analysis of QFT published in Chest journal.

Singapore office established.

$40.4m

Second IGRA Symposium held in Dubrovnik.

Approval and release of QFT-Gold In-Tube in Japan.

New USA logistics centre.

QuantiFERON-CMV launched.

Company pays first dividend.

Company Particulars

Cellestis Limited

Board of Directors

R.G. Pitcher, AM (Chairman)
A.J. Radford
J.S. Rothel
A. Catanzaro
J.G. Bennetts

Secretary

B.H. Manuel

Registered Office

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Chadstone Centre VIC 3148
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Auditors

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Corporate Banker

HSBC Bank Australia Limited
Level 10
333 Collins Street
Melbourne VIC 3000

Contents

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Chairman's Letter to Shareholders

7 September 2010

Dear Shareholders,

This year sees our ten year anniversary, a time to reflect on our achievements over the last decade. Cellestis started ten years ago with 3 staff working from a small apartment in the Melbourne suburb of St Kilda, and today we are approaching 80 staff located in 9 separate countries, with major distribution offices in the USA and Germany. There is a tremendous sense of pride throughout the Company at what we have accomplished, and how we are changing the face of TB diagnosis, and contributing to the control of a disease that remains a great scourge in many countries and a continuing threat to others.

It has been a challenging yet rewarding decade.

Cellestis has always held firm to the belief that we had to differ from the traditional Australian biotech paradigm; that being a very junior research partner to a large international healthcare group would never provide success, and thus we knew that we had to establish a direct presence in key overseas markets. After listing with the ASX in April 2001, we promptly established an American office in Valencia, California, where we remain, although we have moved twice to larger premises. Four years later an office in Germany was established, along with a European logistics centre. From these two locations we were in the best position both to engage the Key Opinion Leaders (KOL's) of the international TB community, and to provide excellent logistical service to the US and western European markets.

More regional marketing and sales support offices have been established, in Japan (November 2007) and most recently Singapore in the last year. These sites allow Cellestis to be present in the economically developing Asian region, where Tuberculosis remains at relatively high levels and thus its control will become more and more critical for national health programmes.

All of this has contributed to our success, and in the last decade we have seen multiple regulatory approvals, national guidelines and scientific papers endorsing the value of QuantiFERON® (QFT) emerge in every major nation of the world, with sales increasing accordingly. There remain, however, substantial areas for market growth before we reach our final target of replacing the antiquated tuberculin skin test.

The past year has been full of activities and achievements.

A significant achievement during the year was the launch of our QFT In-tube product in Japan. Although the impact on sales for the 2010 year was relatively static, we are confident that this next generation of product will enable greater market penetration in Japan over the upcoming years.

Although there were many significant medical publications during the year, two stand out. In April publication of the meta-analysis prepared by independent KOL's illustrated that in the consolidated examination of hundreds of medical reports, encompassing many tens of thousands of tested subjects, QFT stood out as the most accurate, practical and thus economic test for TB infection. Then in June, release of the new Centers for Disease Control and Prevention (CDC) Guidelines for using Interferon Gamma Release Assays (IGRA's) noted the preferred status of these tests – QFT being the leading and most practical example – in many common TB testing situations. As we go to print of this annual report, further exciting news is that the predictive power of QFT in forecasting who will develop active disease has been further endorsed by data emerging from Europe.

In addition, the Company has substantially improved our infrastructure through the establishment of a new head office in Chadstone, Victoria, raised its level of R&D, increased our marketing team, and enhanced our sales presence in many regions. We now have direct staff in Poland, South American distribution partners, and the increased South Asian representation noted.

We are financially strong and providing financial returns to shareholders.

Cellestis has a healthy reserve of cash and is debt free. This has been an important strategy as it gave us the capability to withstand any ill effects from unforeseen circumstances such as the Global Financial Crisis (GFC). This strong cash position also provides scope to be opportunistic should an appropriate acquisition present, and Cellestis remains cautiously observant of all opportunities, both organic and acquisitive. We consider ourselves to be well placed for business growth.

Cellestis has developed a strong cash base through organic growth that is yielding financial returns to shareholders through tax-paid dividends. Out of the $8.3m net profit earned during 2010, the Company paid out $4.8m as dividends. This is almost a 60% payout of net profit to shareholders.

Cellestis is growing its market share.

On the back of hard work by dedicated employees over the past decade, we now have market penetration of about 2 million tests per year – about 1 QFT test every 15 seconds. While this indicates good growth, clearly we have more hard work ahead in capturing a greater share of the potential market.

Revenue grew in 2010 despite the negative effects of the strengthening Australian dollar and the significant H1N1 distraction for our customers and relevant regulatory bodies. In local currency terms over the previous year, our USA segment revenue grew by 49%, Europe by 31% and the Japan/ Australia segment grew by 8%, for an average 17% in total growth. The US growth is particularly significant, as it is our single biggest individual national market, it is showing greater general acceptance of QFT, and continues to have great market potential.

As a healthcare company, the effects of the GFC in 2009 were felt but were not over-bearing for Cellestis. We did, however, feel the effects of the global distraction with the swine flu H1N1 virus in 2010. This outbreak led many customers and health bodies to rerouting both cash and personnel resources from TB to the influenza area, rushing the purchase of massive vaccine reserves. While this naturally tapered our momentum, this distraction appears to have settled.

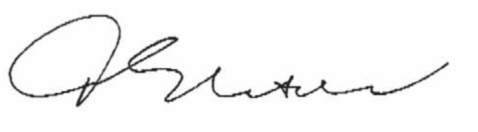
We continue with the ever important peer to peer marketing strategy, complementing it with direct and digital marketing tools. As mentioned at last year's Annual General Meeting, we launched the Gnowee programme during the 2010 year. This electronic QFT clinical reference guide has been so useful that many of our distribution partners rate Gnowee their best marketing tool. Digital tools, customer newsletters, direct marketing literature and customer forums, complemented with selective public relations campaigns and the highlighting of independent positive scientific publications, are the basis of our marketing.

While we remain steadfast in our view not to provide forecasts, you should expect significant organic growth in 2011. We will continue to use natural hedging to ameliorate foreign exchange exposure but we will always be open to the effects of the movement in the Australian dollar.

We recognise the dynamic environment and need for R&D.

There is no such thing as a static technology market, and thus we strive to replace our own products with even better, simpler and more customer-friendly versions. We have been through three generations of TB product in the last decade, each one more useful and successful than the last. Thus we look to a future of product improvements, both within the TB diagnostic area and in other medical opportunities. New product development, along with acquisition and generation of new intellectual property, represents the future of the Company.

Yours sincerely,



Ron Pitcher, AM

Non-executive Chairman

Directors' Report

Your Directors submit the financial report of the Consolidated Group for the year ended 30 June 2010.

Directors

The names of Directors who held office during or since the end of the year:

Mr. R.G. Pitcher, AM
Dr. A.J. Radford
Dr. J.S. Rothel
Prof. A. Catanzaro
Mr. J.G. Bennetts

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

Details of the qualifications, experience and special responsibilities of the Directors at the date of this Annual Report are set out on page 8.

Principal Activities

The principal activities of the Company during the course of the financial year were the developing, manufacturing and marketing of medical diagnostic products. There were no significant changes in the nature of the activities of the Company during the year.

Operating Results and Financial Position

Sales revenue growth (in local currencies) of the key reportable segments for the year was strong. The annual growth of the key segments for 2010 were:

— USA 49%
— Europe 31%
— Australia/ Japan 8%

As almost all Group revenue is generated in currencies other than AUD, predominantly USD, EUR & JPY, the reported sales for 2010 were adversely affected by the strong AUD. This resulted in consolidated sales revenue as reported in AUD growing by 17% to $40,383,000.

As in past years, notable items continue to be:

— improved revenues in the key USA, European and Japanese markets;
— increased marketing and selling activities;
— maintaining and augmenting the customer support and distribution infrastructure;
— the importance of continued research and development expenditure.

Long-term success continues to be the Group's focus with investment in marketing, business development and research and development continuing to be the cornerstone of the future.

The Directors believe the Group is well placed to continue its strategic endeavours to achieve planned business growth.

The Group maintains its model of contract production, direct selling in primary markets and distribution elsewhere.

On a pre-tax basis and excluding the effect of one-off foreign exchange gains of $1,411,000 on intercompany debt repayments in 2009, there was a $2,112,000 or 26% improvement in Profit from operations before tax.

	2010	2009	Net change
	$000	$000	$000
Profit before income tax	10,223	9,522	701
Foreign exchange gains on intercompany debt repayments	-	(1,411)	1,411
Profit from operations before tax	10,223	8,111	2,112

Due to outflows of dividends and company tax, the net cash flow generated in the year was $3,140,000 compared with $5,266,000 for the prior year.

Dividends Paid or Recommended

Dividends paid or declared for payment during the financial year are as follows:

Ordinary dividend paid on 9 October 2009 as recommended in last year's report	$1,920,000
Interim ordinary dividend of $0.015 per share paid on 12 March 2010	$1,443,000
Final ordinary dividend of $0.035 per share recommended by the Directors to be paid on 15 October 2010 out of the net profit earned in 2010	$3,365,000

Corporate Goals and Objectives

The Company commercialises and develops QuantiFERON® technology (QFT) worldwide. The corporate goal is to develop the patented QuantiFERON technology to maximum commercial advantage, exploiting its position as a rapid diagnostic for cellular immune responses, which are significant indicators of infection and immune status for a number of diseases and conditions. Complementary to its current products, the Company intends to develop new products using QuantiFERON technology and, if appropriate, other technologies.

Review of Operations, Future Developments, Prospects and Business Strategies

The last year has seen considerable sales growth in our market segments. This growth was attained despite the general economic situation in key markets and the diversion of the medical community in those markets to the H1N1 influenza situation.

The Group continues to be focussed on long term strategies and investment in marketing, technical services (training and product support) and R&D. Infrastructure enhancements continue so that the Group is well placed to service customer demand in forthcoming years.

Foreign exchange fluctuations on trading activities were generally neutral for the year which is reflective of the Group's policy to utilise natural hedging whereby the Group makes procurements, wherever reasonable and effective, in currencies in which revenues are earned.

The new guidelines favouring the use of interferon-based testing in certain situations were only released by the US Centers for Disease Control and Prevention in late June 2010 and had negligible impact for the 2010 financial year. It is expected that the positive impact from these guidelines will begin to be felt during the forthcoming year.

Such guidelines, complemented by marketing initiatives and the growing number of positive independent medical/ scientific publications on QuantiFERON, are expected to help drive organic growth of the business over the upcoming years.

The Directors have reasonable grounds to believe that inclusion of other information regarding likely developments of the Company, and expected results of those actions, would be unreasonably prejudicial to the Company because of their confidential nature.

Significant Changes in State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report.

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

Environmental Issues

The Consolidated Group's operations are subject to general environmental regulation under the law of the countries and territories in which it operates. The Directors are not aware of any breaches of these environmental regulations.

Information on Directors

Mr. Ronald G. Pitcher, AM	— **Non-executive Chairman (Independent)**
Qualifications	— FCA, FCPA, ACAA
Experience	— Appointed to the Board as Chairman since 2001. Mr. Pitcher is a Chartered Accountant with over 45 years experience in the accounting profession and in the provision of business advisory services.
Interest in Shares and Options	— 160,000 Ordinary Shares in Cellestis Limited
Special Responsibilities	— Chairman of the Audit Committee, Member of the Remuneration Committee
Directorships held in other listed entities	— Current director of National Can Industries Ltd (since 1994) and Reece Australia Ltd (since 2003); chairman of McMillan Shakespeare Ltd (since 2004); former director of Capral Aluminium Ltd (from December 2001 to April 2007)

Dr. Anthony J. Radford	— **Managing Director, Chief Executive Officer**
Qualifications	— Dip Corp Man., BSc (Hons), PhD
Experience	— Board member and Managing Director since 2000. Dr. Radford has had a 30 year career in biotechnology, initially as a successful research scientist and as a senior member of the CSIRO team that invented QuantiFERON. Dr. Radford has held executive roles in management of commercial research & development in the medical field prior to joining Cellestis and is a founding Director of Cellestis.
Interest in Shares and Options	— 11,449,690 Ordinary Shares in Cellestis Limited
Special Responsibilities	— Member of the Remuneration Committee
Directorships held in other listed entities	— Nil

Dr. James S. Rothel	— **Executive Director, Chief Scientific Officer**
Qualifications	— BAppSc, MAppSc, PhD
Experience	— Board member since 2000. Dr. Rothel has over 30 years experience in biotechnology research and development and was also a senior member of the CSIRO team that invented QuantiFERON. Dr. Rothel was responsible for the development of QuantiFERON at CSL, has extensive experience in diagnostic product development and is a founding Director of Cellestis.
Interest in Shares and Options	— 11,449,689 Ordinary Shares in Cellestis Limited
Directorships held in other listed entities	— Nil

Prof. Antonino Catanzaro	— **Non-executive Director (Independent)**
Qualifications	— MD
Experience	— Board member since 2001. Prof. Catanzaro is a Professor of Medicine at the University of California San Diego and a respiratory care physician with over 40 years medical experience in the prevention, diagnosis and treatment of tuberculosis. Prof. Catanzaro has been a member of the Centers for Disease Control (CDC) TB Branch and worked with the CDC as a TB Trials Consortium (TBTC) investigator 1994-2009. As a recognised international authority, Prof. Catanzaro heads the National TB Curriculum Consortium in the USA which is dedicated to the strengthening of the teaching of TB to students of medicine, nursing and allied health. He is the recipient on a major grant from the US NIH whose purpose is to develop and test new diagnostics for the rapid detection of drug resistance in TB organisms.
Interest in Shares and Options	— 175,000 Ordinary Shares in Cellestis Limited and options to acquire a further 120,000 Ordinary Shares.
Directorships held in other listed entities	— Nil

Mr. John G. Bennetts	— **Non-executive Director (Independent)**
Qualifications	— BEc, LLB
Experience	— Board member since 2000. Mr. Bennetts is principal and founder of the Mooroolbark Group, a private equity group which has substantial experience and success in establishing, investing in, and growing businesses, and in the international commercialisation of new technologies.
Interest in Shares and Options	— 2,298,607 Ordinary Shares in Cellestis Limited
Special Responsibilities	— Chairman of the Remuneration Committee, Member of the Audit Committee
Directorships held in other listed entities	— Current director of McMillan Shakespeare Ltd (since 2003)

Company Secretary

The Company Secretary at the end of the financial year is Mr. B.H. Manuel, FCA, FCIS, BComm. Mr. Manuel is also employed as the Chief Financial Officer of the Company and was appointed to the joint role in February 2006.

Mr. Manuel is a Fellow Chartered Accountant, a Fellow Member of Chartered Secretaries Australia and has a broad range of commercial skills developed through 25 years experience in senior finance, corporate and general management roles.

Meetings of Directors

During the financial year, 18 meetings of Directors (including Committees of Directors) were held. Attendances by each Director during the year were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS — AUDIT COMMITTEE		COMMITTEE MEETINGS — REMUNERATION COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Mr. R.G. Pitcher, AM	9	9	6	6	3	3
Dr. A.J. Radford	9	9	-	-	3	3
Dr. J.S. Rothel	9	9	-	-	-	-
Prof. A. Catanzaro	9	9	-	-	-	-
Mr. J.G. Bennetts	9	9	6	6	3	3

Indemnifying Officers or Auditor

During the financial year the Company paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company to the extent permitted under its Constitution and the Corporations Act 2001, other than conduct involving a willful breach of duty in relation to the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has also entered into a Deed of Access, Indemnity and Insurance (Deed) with each Director, which protects individuals acting as Directors during their term of office and after their resignation. Under the Deed, the Company agrees to indemnify a current or past Director to the full extent of the indemnity given under its Constitution and by the Corporations Act 2001.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Company against a liability incurred as such an Officer or Auditor.

Remuneration Report

This report details the nature and amount of remuneration for each Key Management Personnel, including Directors, of Cellestis Limited.

Remuneration policy

The remuneration policy of Cellestis Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long term incentives based on key performance areas affecting the Consolidated Group's financial results. The Board of Cellestis Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain executives and Directors to run and manage the Consolidated Group, as well as create goal congruence between Directors, executives and shareholders.

The remuneration policy, which sets the terms and conditions for the Chief Executive Officer and other senior executives, was developed by the Remuneration Committee and approved by the Board. The Remuneration Committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice when required.

The Company's remuneration policy is structured to ensure that the remuneration package properly reflects the person's duties, responsibilities and level of performance. Executive remuneration is set with reference to market rates and is competitive in attracting, retaining and motivating people of the highest quality.

Executive remuneration comprises the following elements:

— Fixed remuneration, including superannuation, which is set at a level that reflects the marketplace for each position;

— Equity based remuneration, including share options, which incorporates exercise restrictions based on continuity of employment and the achievement of performance hurdles; and

— Incentive payments based on achievement of operational goals.

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountabilities.

Non-executive Directors are remunerated by way of fees and do not receive payments or retirement benefits other than statutory superannuation.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-executive Directors are not linked to the performance of the Consolidated Group.

All remuneration paid to executives is valued at the cost to the Company and expensed.

Options are valued using standard methodologies, being the Binomial methodology for options issued during the 2010 and 2009 financial years and the Black-Scholes methodology for options issued prior to 1 July 2008. Each share option converts into one ordinary share of Cellestis Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Executives are entitled to participate in the employee share option arrangements, however Executive Directors are excluded from participation. Non-executive Director participation is subject to approval by shareholders.

The Executive Directors and Australian-based Key Management Personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Performance-based remuneration

As part of Executive Director and other Key Management Personnel remuneration packages, there are performance-based components consisting of Key Performance Indicators (KPIs). The KPIs are set annually, with measures specifically tailored for each Executive Director/ executive and includes short- and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals before the KPIs are set for the following year.

Company performance, shareholder interests and directors' and executives' remuneration

The remuneration policy utilises both a KPI-based performance bonus and the issue of share options to encourage the alignment of personal and shareholder interests.

The following table shows revenue, operational performance and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trends in performance over the past five years.

	2010 $000	2009 $000	2008 $000	2007 $000	2006 $000
Revenue – sales of goods	40,383	34,461	18,829	10,654	5,279
Other income	727	780	759	729	837
Profit from operations before tax	**10,223**	**8,111**	**2,260**	**(2,277)**	**(3,622)**
Net Profit/ (Loss)	8,253	8,232	1,676	(2,277)	(3,622)
Share Price at Year-end	$2.75	$3.02	$2.45	$3.26	$3.95
Dividends Paid	$0.05	$0.03	-	-	-

Key Management Personnel Remuneration Policy

The Company's policy for determining the nature and amount of emoluments of Executive Directors, officers and senior executives of the Company is based on a number of factors, including length of service, particular experience of the individual concerned, market rates and overall performance of the individual and the Company. The contracts for service between the Company and Executive Directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. The employment contracts stipulate a range of up to six-month resignation periods. Upon retirement executive directors and executives are paid employee benefit entitlements accrued to the date of their retirement. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

The Group seeks to emphasise payment for results through providing cash bonus reward schemes. Specifically, the bonuses include incentive payments based on Key Performance Indicators such as sales targets, customer and product development. The objective of the reward schemes is to both reinforce the short and long-term goals of the Company and to provide a common interest between management and shareholders. Bonuses determined with respect to the 2010 financial year are accrued into the 2010 financial results and paid subsequent to year end.

The employment conditions of the Executive Directors and Senior Executives are formalised in contracts of employment. All executives are permanent employees of Cellestis Limited or its subsidiaries. The Managing Director, Dr. Anthony Radford, is employed under an ongoing contract which commenced in 2001.

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of Key Management Personnel of the Consolidated Group, and to the extent different, among the five group executives or company executives receiving the highest remuneration.

The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options. Proportions may vary depending on achievement against performance hurdles.

Group Key Management Personnel	Position held as at 30 June 2010	Contract details (duration & termination)	Proportion of elements of remuneration related to performance		Proportion of elements of remuneration not related to performance	
			Non-salary cash-based incentives %	Options %	Fixed Salary/ Fees %	Total %
Mr. R.G. Pitcher, AM	Non-executive Chairman	No fixed term or specific termination provisions.	-	-	100%	100%
Dr. A.J. Radford	Managing Director/ Chief Executive Officer	Ongoing contract; minimum 6 months notice required to terminate.	10%	-	90%	100%
Dr. J.S. Rothel	Executive Director/ Chief Scientific Officer	Ongoing contract; minimum 6 months notice required to terminate.	10%	-	90%	100%
Prof. A. Catanzaro	Non-executive Director	No fixed term or specific termination provisions.	-	30%	70%	100%
Mr. J.G. Bennetts	Non-executive Director	No fixed term or specific termination provisions.	-	-	100%	100%
Mr. P.B. Lebeau	Chief Commercial Officer – Cellestis Europe	Ongoing contract; minimum 4 months notice required to terminate.	31%	7%	62%	100%
Mr. M.S. Boyle	President – Cellestis USA	Ongoing contract; minimum 3 months notice required to terminate.	31%	8%	61%	100%
Mr. P.J. Prather*	Chief Marketing Officer	Ongoing contract; minimum 1 months notice required to terminate	11%	10%	79%	100%
Mr. B.H. Manuel	Chief Financial Officer/ Company Secretary	Ongoing contract; minimum 3 months notice required to terminate	11%	10%	79%	100%

* Key Management Personnel since 1 July 2009

Key Management Personnel Remuneration

2010	Short-term Benefits			Post Employment	Share-based Payment	Total
	Salary, Fees & Commissions	Bonus/ Incentive	Non-Cash Benefits	Superannuation Contribution	Options	
Directors	$	$	$	$	$	$
Mr. R.G. Pitcher, AM	71,500	-	-	6,435	-	77,935
Dr. A.J. Radford	279,359	34,000	-	25,142	-	338,501
Dr. J.S. Rothel	238,991	28,000	-	21,509	-	288,500
Prof. A. Catanzaro (i)	119,090	-	-	-	51,944	171,034
Mr. J.G. Bennetts	41,285	-	-	3,715	-	45,000
	750,225	62,000	-	56,801	51,944	920,970
Senior Executives						
Mr. P.B. Lebeau (ii)	223,517	114,424	-	-	23,972	361,913
Mr. M.S. Boyle (iii)	172,036	92,903	12,769	-	23,972	301,680
Mr. P.J. Prather (iv)	180,000	28,125	-	16,200	25,439	249,764
Mr. B.H. Manuel (v)	175,139	27,366	-	15,762	23,972	242,239
	750,692	262,818	12,769	31,962	97,355	1,155,596
Total	1,500,917	324,818	12,769	88,763	149,299	2,076,566

2009	Short-term Benefits			Post Employment	Share-based Payment	Total
	Salary, Fees & Commissions	Bonus/ Incentive	Non-Cash Benefits	Superannuation Contribution	Options	
Directors	$	$	$	$	$	$
Mr. R.G. Pitcher, AM	65,000	-	-	5,850	-	70,850
Dr. A.J. Radford	229,358	47,738	-	20,642	-	297,738
Dr. J.S. Rothel	188,991	35,000	-	17,009	-	241,000
Prof. A. Catanzaro	98,687	-	-	-	-	98,687
Mr. J.G. Bennetts	35,000	-	-	3,150	-	38,150
	617,036	82,738	-	46,651	-	746,425
Senior Executives						
Mr. P.B. Lebeau	233,449	63,882	-	-	4,890	302,221
Mr. M.S. Boyle	190,599	123,236	15,152	-	37,589	366,576
Mr. B.H. Manuel	165,138	26,009	-	14,862	26,689	232,698
	589,186	213,127	15,152	14,862	69,168	901,495
Total	1,206,222	295,865	15,152	61,513	69,168	1,647,920

Key Management Personnel Remuneration (continued)

(i) Prof. Catanzaro was granted 120,000 share options in November 2009 under the Company's option plan, none of which were vested as at 30 June 2010.

During the year Prof. Catanzaro received consulting fees of USD 65,000 (2009: USD 45,000) in respect of research, advice and marketing activities and are included above.

(ii) Mr Lebeau is remunerated in EUR other than remuneration pertaining to share options.

Mr Lebeau was granted 200,000 share options on 16 April 2009 under the Company's option plan, none of which were vested as at 30 June 2010.

(iii) Mr Boyle is remunerated in USD other than remuneration pertaining to share options.

Mr Boyle was granted 150,000 share options on 31 October 2006 under the Company's option plan, all of which were vested as at 30 June 2010.

Additionally, Mr Boyle was granted 200,000 share options on 16 April 2009 under the Company's option plan, none of which were vested as at 30 June 2010.

(iv) Mr Prather was granted 200,000 share options on 30 April 2009 under the Company's option plan, none of which were vested as at 30 June 2010.

(v) Mr Manuel was granted 100,000 share options on 31 October 2006 under the Company's option plan, all of which were vested as at 30 June 2010.

Additionally, Mr Manuel was granted 200,000 share options on 16 April 2009 under the Company's option plan, none of which were vested as at 30 June 2010.

The exercise of any of the above share options are subject to continuous employment with the Company or its subsidiaries and Key Performance Indicators being achieved.

The value of all options granted in this or previous financial years is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

Performance income as a proportion of total remuneration

Executive directors and executives are paid performance-based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Remuneration Committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Consolidated Group.

The Remuneration Committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

Cash Bonuses, Performance-related Bonuses/ Incentives and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to Key Management Personnel and other executives during the year are as follows:

Group Key Management Personnel	Remuneration type	Grant date	Reason for grant	Percentage vested/paid during year %	Percentage lapsed during year %	Percentage remaining as unvested %	Expiry date for vesting or payment
Mr. R.G. Pitcher, AM	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dr. A.J. Radford	Cash	30.06.10	b	100%	n/a	n/a	n/a
Dr. J.S. Rothel	Cash	30.06.10	b	100%	n/a	n/a	n/a
Prof. A. Catanzaro	Options	27.11.09	c	Nil	n/a	100%	27.11.13
Mr. J.G. Bennetts	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr. P.B. Lebeau	Cash Options	Note a 16.04.09	b d	100% Nil	n/a n/a	n/a 100%	n/a 16.04.14
Mr. M.S. Boyle	Cash Options Options	Note a 16.04.09 31.10.06	b d e	100% Nil 33%	n/a n/a n/a	n/a 100% Nil	n/a 16.04.14 31.10.10
Mr. P.J. Prather	Cash Options	30.06.10 30.04.09	b f	100% Nil	n/a n/a	n/a 100%	n/a 30.04.14
Mr. B.H. Manuel	Cash Options Options	30.06.10 16.04.09 31.10.06	b d e	100% Nil 33%	n/a n/a n/a	n/a 100% Nil	n/a 16.04.14 31.10.10

a) Determined and paid quarterly.

b) Cash payments were awarded as part of the Group's incentive and reward system for the retention and rewarding of key personnel. Such persons were deemed to have satisfied the prerequisites for the respective amount based upon financial performance and the satisfying of KPIs.

c) Options granted in November 2009 at an exercise price of $3.32 as part of the Group's incentive and reward system for the retention and rewarding of key personnel. Details of the options are disclosed in Notes 5a and 25 to the Financial Statements

d) Options granted in April 2009 at an exercise price of $2.50 as part of the Group's incentive and reward system for the retention and rewarding of key personnel. Details of the options are disclosed in Notes 5a and 25 to the Financial Statements.

e) Options granted in October 2006 at an exercise price of $3.21 as part of the Group's incentive and reward system for the retention and rewarding of key personnel. Details of the options are disclosed in Notes 5a and 25 to the Financial Statements.

f) Options granted in April 2009 at an exercise price of $2.80 as part of the Group's incentive and reward system for the retention and rewarding of key personnel. Details of the options are disclosed in Notes 5a and 25 to the Financial Statements.

All options were issued by Cellestis Limited and entitle the holder to one ordinary share in Cellestis Limited for each option exercised.

Options Issued as Part of Remuneration for the Year Ended 30 June 2010

Options may be issued to executives as part of their remuneration. Such options are issued to increase goal congruence between executives, directors and shareholders.

During the financial year an aggregate of 120,000 share options were granted to Key Management Personnel as part of their remuneration.

Options Granted

	Grant details			For the financial year ended 30 June 2010					Overall		
Group Key Management Personnel	Date	No.	Value $000	Exercised no.	Exercised $000	Lapsed no.	Lapsed $000	Vested no.	Vested %	Unvested %	Lapsed %
Prof. A. Catanzaro	Nov 09	120,000	145 #	Nil	Nil	Nil	Nil	Nil	Nil	100%	Nil
Mr. P.B. Lebeau	Apr 09	200,000	90 #	Nil	Nil	Nil	Nil	Nil	Nil	100%	Nil
Mr. M.S. Boyle	Apr 09	200,000	90 #	Nil	Nil	Nil	Nil	Nil	Nil	100%	Nil
	Oct 06	150,000	195 *	Nil	Nil	Nil	Nil	50,000	100%	Nil	Nil
Mr. P.J Prather	Apr 09	200,000	95 #	Nil	Nil	Nil	Nil	Nil	Nil	100%	Nil
Mr. B.H. Manuel	Apr 09	200,000	90 #	Nil	Nil	Nil	Nil	Nil	Nil	100%	Nil
	Oct 06	100,000	130 *	Nil	Nil	Nil	Nil	33,333	100%	Nil	Nil
				Nil	Nil	Nil	Nil	83,333			

Total value over the vesting period as per the Binomial valuation method at the time of the grant.

* Total value over the vesting period as per the Black-Scholes valuation at the time of the grant.

Options

At the date of this report, the unissued ordinary shares of Cellestis Limited under option are as follows:

Grant Date	First Exercise Date	Date of Expiry	Value at Grant Date	Exercise Price	Number Under Option
31 October 2006	31 October 2007	31 October 2010	$3.21	$3.21	472,500
16 April 2009	31 August 2012	16 April 2014	$2.50	$2.50	2,100,000
30 April 2009	31 August 2012	30 April 2014	$2.80	$2.80	200,000
27 November 2009	27 November 2010	27 November 2013	$3.32	$3.32	120,000
					2,892,500

During the year ended 30 June 2010, the following ordinary shares were issued on the exercise of options granted under the Cellestis Limited Employee Option Plan. No further shares have been issued since that date.

Issue Date	Exercise Price	Number of Shares Issued
10 November 2009	$3.21	100,000
18 November 2009	$3.21	50,000
		150,000

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the Audit Committee, considers the provision of non-audit services on the merits of each circumstance to ensure compatibility with the general standard of independence for auditors imposed by the Corporations Act 2001. Specifically:

— all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

— the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the financial year, the auditor did not provide any such non-audit services.

Auditor's Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 18 of the Directors' Report.

Rounding of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the Board of Directors.

Ronald Pitcher
Chairman
7 September 2010

Anthony Radford
Managing Director

Auditor's Independence Declaration

PRICEWATERHOUSECOOPERS

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As lead auditor for the audit of Cellestis Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PricewaterhouseCoopers

Graeme Billings
Partner

Melbourne
7 September 2010

Liability limited by a scheme approved under Professional Standards Legislation

Statement of Comprehensive Income
for the year ended 30 June 2010

		Consolidated Group	
		30 June 2010	30 June 2009
	Note	$000	$000
Revenue	2	40,383	34,461
Cost of sales		(13,690)	(11,491)
Gross profit		26,693	22,970
Other revenue	2	727	780
Selling, marketing & distribution costs		(12,604)	(11,351)
Administration, finance & corporate costs		(1,939)	(2,214)
Share options expense		(362)	(208)
Research & development costs		(1,309)	(963)
Legal, insurance, patent & regulatory expense		(480)	(416)
Depreciation & amortisation expense	3(a)	(503)	(487)
Profit from operations before tax		10,223	8,111
Foreign exchange gain on intercompany payments	3(b)	-	1,411
Profit before income tax		10,223	9,522
Income tax expense	4	(1,970)	(1,290)
Profit from continuing operations attributable to owners of Cellestis Limited		8,253	8,232
Other Comprehensive income			
Exchange differences on translation of foreign operations		(647)	(692)
Total Comprehensive income for the year attributable to owners of Cellestis Limited		7,606	7,540
Earnings per share for profit from continuing operations attributable to owners of Cellestis Limited:			
Basic earnings per share (cents per share)	8	8.6¢	8.6¢
Diluted earnings per share (cents per share)	8	8.5¢	8.5¢

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2010

		Consolidated Group	
		30 June 2010	30 June 2009
	Note	$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	22,576	19,695
Trade and other receivables	10	7,515	6,058
Inventories	11	1,594	1,832
Prepayments		450	29
		32,135	27,614
NON-CURRENT ASSETS			
Plant and equipment	14	1,145	767
Deferred tax assets	15	2,173	887
Intangible assets	16	203	321
		3,521	1,975
TOTAL ASSETS		35,656	29,589
CURRENT LIABILITIES			
Trade and other payables	17	6,071	4,981
Current tax liabilities	18	1,630	1,871
Provisions	19	456	370
		8,157	7,222
NON-CURRENT LIABILITIES			
Provisions	19	187	136
		187	136
TOTAL LIABILITIES		8,344	7,358
NET ASSETS		27,312	22,231
EQUITY			
Issued capital	20	29,377	28,901
Reserves	21	(6)	286
Accumulated losses		(2,059)	(6,956)
TOTAL EQUITY		27,312	22,231

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2010

	Share Capital Ordinary $000	Share Option Reserve $000	Foreign Currency Translation Reserve $000	(Accumulated Losses) $000	Total Equity $000
Consolidated Group					
Balance at 1 July 2008	28,901	1,021	140	(14,619)	15,443
Total comprehensive income for the year	-	-	(692)	8,232	7,540
Transactions with owners in their capacity as owners					
Addition to share option reserve	-	208	-	-	208
Transfer from share option reserve	-	(391)	-	391	-
Dividends paid	-	-	-	(960)	(960)
	-	(183)	-	(569)	(752)
Balance at 30 June 2009	28,901	838	(552)	(6,956)	22,231
Total comprehensive income for the year	-	-	(647)	8,253	7,606
Transactions with owners in their capacity as owners					
Shares issued during the period	476	-	-	-	476
Addition to share option reserve	-	362	-	-	362
Transfer from share option reserve	-	(7)	-	7	-
Dividends paid	-	-	-	(3,363)	(3,363)
	476	355	-	(3,356)	(2,525)
Balance at 30 June 2010	29,377	1,193	(1,199)	(2,059)	27,312

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2010

		Consolidated Group	
		30 June 2010	30 June 2009
	Note	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		40,027	32,923
Payments to suppliers and employees		(30,456)	(26,513)
Interest received		713	756
Income tax paid		(3,494)	(310)
Net cash provided by operating activities	24	6,790	6,856
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant & equipment		(763)	(630)
Net cash used in investing activities		(763)	(630)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		476	-
Dividends paid by parent entity		(3,363)	(960)
Net cash used in financing activities		(2,887)	(960)
Net increase in cash and cash equivalents		3,140	5,266
Cash and cash equivalents at 1 July 2009		19,695	14,141
Effect of exchange rates on cash holdings in foreign currencies		(259)	288
Cash and cash equivalents at 30 June 2010	9	22,576	19,695

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2010

The financial statements cover the Consolidated Group of Cellestis Limited and controlled entities. Cellestis Limited is a listed public company, incorporated and domiciled in Australia.

Note 1: Statement of Significant Accounting Policies

Statement of Compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements of Cellestis Limited and controlled entities comply with all International Financial Reporting Standards (IFRS) in their entirety. The financial statements were approved by the Board of Directors on 7th September 2010. The directors have the power to amend and reissue the financial statements.

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

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the translation to the reporting currency of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Financial statement presentation

The Group has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group has had to change the presentation of its Financial Statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity controlled by Cellestis Limited whereby Cellestis Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. All controlled entities have a 30 June financial year-end.

A list of controlled entities is contained in Note 12 to the financial statements.

All inter-company balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at monthly average exchange rates during the period as they are indicative of actual exchange rates.
- Retained earnings/ (accumulated losses) are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the Statement of Financial Position.

(b) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(c) Income Tax

The Consolidated Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from operating activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Note 1: Statement of Significant Accounting Policies (continued)

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

(d) Inventories

Inventories are measured at the lower of cost or net realisable value. Provision for obsolescence is determined on a specific basis as required.

(e) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amounts of all plant and equipment are depreciated on a straight line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use.

The depreciation rates used for the sole class of depreciable assets (plant and equipment) are 20 - 33%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

(f) Intangibles

Licenses & Patents

Licenses and patents acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives, which vary from 10 to 14 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in the accounting estimates being accounted for on a prospective basis.

Research and development

Research expenditure is recognised as an expense when incurred.

Development expenditure is only considered for capitalisation where expenditure is significant and when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

(g) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(h) Provisions

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

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(j) Trade receivables

Trade receivables are recognized initially at fair value less provision for impairment.

(k) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are charged directly to the Statement of Comprehensive Income, except when they are attributable to part of the net investment in a foreign operation.

Note 1: Statement of Significant Accounting Policies (continued)

(l) Revenue

The Group recognises revenue for the sale of goods upon the despatch of goods to customers.

Interest revenue is recognised on an accrual basis taking into account applicable interest rates.

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

(m) Share Based Payments

The fair value of share options granted is measured using either a Binomial or Black-Scholes model, taking into account the terms and conditions upon which the options were granted, and is recognised as an employee expense over the vesting period of the options with a corresponding increase in equity.

(n) Impairment of Assets

At each reporting date, the Consolidated Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If it were applicable, intangible assets with indefinite lives would be tested for impairment annually to determine if the carrying value is in excess of the recoverable amount. 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 (or cash-generating unit), is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 the Statement of Comprehensive Income immediately.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are paid in line with trading terms.

(p) Earnings per share

i Basic Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year

ii Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

(q) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(r) Financial Instruments

Recognition

Financial instruments are initially measured at fair value and subsequently measured at amortised cost.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

Held-to-maturity investments

These cash investments have fixed short-term maturity dates and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Payables

Payables are initially recorded at fair value and subsequently measured at amortised cost.

(s) Investments in Subsidiaries

Investments in subsidiaries are carried at the lower of cost or recoverable value in the books of the parent entity.

Note 1: Statement of Significant Accounting Policies (continued)

(t) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income when received.

(u) Goods and Services Tax (GST)

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

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(v) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000, or in certain cases, the nearest dollar.

(w) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(i) Income Taxes

The recognition of deferred tax assets are subject to the assessment of probability that future taxable profits are available for the assets to be recouped. Given the circumstances in the applicable foreign jurisdictions, the Group has recognized $926,000 of previously unbooked tax losses in deferred tax assets as at 30 June 2010.

As at 30 June 2010, there are available tax losses with a benefit of approximately $986,000 that have not been recognised as a deferred tax asset to the Group.

Refer to Note 4 for further details.

(x) Comparative Figures

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

(y) Parent entity financial information

The financial information for the parent entity, Cellestis Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investment in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Cellestis Limited.

(ii) Tax consolidation legislation

Cellestis Limited and its wholly-owned Australian subsidiaries have formed an income tax Consolidated Group under the tax consolidation regime.

Cellestis Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax Consolidated Group. The Group has notified the Australian Taxation Office that it had formed an income tax Consolidated Group to apply from 1 July 2003. The tax Consolidated Group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to taxable income of the tax Consolidated Group with each group company recognising tax as if it were a stand-alone tax payer.

(z) Accounting Standards and Interpretations issued but not yet effective and not yet adopted

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 30 June 2010. They may impact the Consolidated Group in the period of initial application. They are available for early adoption, but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective for annual reporting periods beginning on or after 1 January 2013. AASB 9 addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 and the Group is yet to assess its full impact. However, initial indications are that they will have minimal impact on the entity.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

Note 1: Statement of Significant Accounting Policies (continued)

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- Improvements to IFRSs: In May 2010, the IASB made a number of amendments to the International Financial Reporting Standards as part of its ongoing improvements project [IFRS 3, 7, IAS 1, 27, 34]. The AASB is expected to make equivalent amendments to the Australian accounting standards shortly (applicable for annual reporting periods commencing from 1 January 2010). No changes are expected to materially affect the Group.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

Note 2: Revenue

	Consolidated Group 2010 $000	Consolidated Group 2009 $000
Revenue — sale of goods	40,383	34,461
Other revenue — interest received	727	780
Total revenue	41,110	35,241

Note 3: Profit from Ordinary Activities

	2010 $000	2009 $000
(a) **Expenses**		
Depreciation of plant & equipment	(385)	(370)
Amortisation of license	(118)	(117)
Foreign currency translation gains	449	5
Rental expense on operating leases		
— minimum lease payments	(712)	(574)
Employee benefits	(8,952)	(8,268)
Share options expenses	(362)	(208)
(b) **Significant Revenue and Expenses**		
Foreign exchange gain on intercompany payments	-	1,411

Note 4: Income Tax Expense

	Consolidated Group 2010 $000	Consolidated Group 2009 $000
(a) The components of tax expense comprise:		
Current tax	3,879	2,053
Deferred tax	(1,286)	(481)
Recoupment of prior year tax losses	(623)	(408)
Under provision in respect of prior years	-	126
	1,970	1,290
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit before income tax expense	10,223	9,522
Prima facie tax payable on profit from ordinary activities before income tax at 30%	3,067	2,433
Add tax effect of:		
— Prior year under provision	-	126
— Non-deductible amortisation	35	35
— Other non-allowable/ (allowable) items	222	258
— R&D concession	(70)	(204)
	3,254	2,648
Less tax effect of:		
Recovery of prior year tax losses not previously brought to account	(623)	(408)
Previously unrecognised tax losses brought to account	(926)	-
Deferred tax assets for temporary difference brought to account for first time	-	(948)
Tax effect of different foreign jurisdictions	265	(2)
Income tax expense attributable to entity	1,970	1,290

As at balance date, there are available tax losses with a benefit of approximately $986,000 (2009: $2,585,000) that have not been recognised as a deferred tax asset to the Group.

These unrecognised deferred tax assets will only be obtained if:

i) The Group companies derive future assessable income of a nature and amount sufficient to enable the benefits to be realised;

ii) The Group companies continue to comply with the conditions for deductibility imposed by the law; and

iii) No changes in tax legislation adversely affect the Group companies from realising the benefit.

Note 5: Interests of Key Management Personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel for the year ended 30 June 2010.

The totals of remuneration paid to Key Management Personnel of the Group during the year are as follows:

	2010 $000	2009 $000
Short-term employee benefits	1,839	1,517
Post-employment employee benefits	89	62
Termination benefits	-	-
Share-based payments	149	69
	2,077	1,648

a. Options and Rights Holdings

Number of options over ordinary shares held by Key Management Personnel

	Balance 1.7.09	Options Lapsed	Options Granted as Remuneration	Balance 30.6.10	Total Vested 30.6.10	Total Exercisable	Total Unexercisable
Mr. R.G. Pitcher, AM	-	-	-	-	-	-	-
Dr. A.J. Radford	-	-	-	-	-	-	-
Dr. J.S. Rothel	-	-	-	-	-	-	-
Prof. A. Catanzaro	-	-	120,000	120,000	-	-	120,000
Mr. J.G. Bennetts	-	-	-	-	-	-	-
Mr. P.B. Lebeau	200,000	-	-	200,000	-	-	200,000
Mr. M.S. Boyle	350,000	-	-	350,000	150,000	150,000	200,000
Mr. P.J. Prather	200,000	-	-	200,000	-	-	200,000
Mr. B.H. Manuel	300,000	-	-	300,000	100,000	100,000	200,000
Total	1,050,000	-	120,000	1,170,000	250,000	250,000	920,000

b. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.09	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.10
Mr. R.G. Pitcher, AM	160,000	-	-	-	160,000
Dr. A.J. Radford	12,014,690	-	-	(565,000)	11,449,690
Dr. J.S. Rothel	12,014,689	-	-	(565,000)	11,449,689
Prof. A. Catanzaro	175,000	-	-	-	175,000
Mr. J.G. Bennetts	2,498,607	-	-	(200,000)	2,298,607
Mr. M.S. Boyle	57,434	-	-	-	57,434
Mr. P.B. Lebeau	-	-	-	-	-
Mr. P.J. Prather	-	-	-	-	-
Mr. B.H. Manuel	1,000	-	-	-	1,000
Total	26,921,420	-	-	(1,330,000)	25,591,420

* Net Change Other refers to shares purchased or sold during the financial year.
There have been no other transactions involving equity instruments other than those in the tables above.
For details of other transactions with Key Management Personnel, refer Note 26: Related Party Transactions.

Note 6: Auditors' Remuneration

	Consolidated Group	
	2010 $	2009 $
a. PricewaterhouseCoopers		
Remuneration of the auditor of the parent entity		
— auditing or reviewing the financial report	67,166	-
b. Non PricewaterhouseCoopers firms		
Remuneration of the auditor of the parent entity		
— auditing or reviewing the financial report	-	94,250
	67,166	94,250

Note 7: Dividends

	$000	$000
Dividends paid during the year		
Final dividend for the year ended 30 June 2009 of $0.02 (2008-Nil) per fully paid share;		
Fully franked based on tax paid at 30% - $0.02.(2008: Nil) per share	1,920	-
Interim dividend for the year ended 30 June 2010 of $0.015 (2009-$0.01) per fully paid share;		
Fully Franked based on tax paid at 30% - $0.015 per share	1,443	-
Unfranked Interim dividend for the year ended 30 June 2009 – $0.01 per share	-	960
	3,363	**960**

Dividends not recognised at the end of the reporting period		
Proposed final dividend for the year ended 30 June 2010 of $0.035 (2009-$0.02) per fully paid share fully franked based on tax paid at 30%	3,365	1,920
Balance of franking account at year end Adjusted for:	2,338	301
— Credits that have arisen from the payment of income tax subsequent to the year end	798	582
— Impact on the franking account of dividends proposed by the directors since year end reflected above	(1,236)	(823)
	1,900	60

Note 8: Earnings per Share

		Consolidated Group	
		2010 $000	2009 $000
a.	Profit from continuing operations attributable to owners of Cellestis Limited	8,253	8,232
	Earnings used in the calculation of basic and dilutive EPS	8,253	8,232
		Number of shares/ options	Number of shares/ options
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	96,095,614	96,001,778
	Weighted average number of options outstanding – dilutive impact	535,670	1,402,158
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	96,631,284	97,403,936
c.	Classification of securities		
	The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:		
	– Options outstanding	2,892,500	3,022,500
d.	Basic earnings per share (cents per share)	8.6¢	8.6¢
	Diluted earnings per share (cents per share)	8.5¢	8.5¢

Note 9: Cash and Cash Equivalents

	2010 $000	2009 $000
Cash at bank and in hand	3,907	3,253
Short-term bank deposits	18,669	16,442
	22,576	19,695

The effective interest rate on short-term bank deposits was 5.13% (2009: 3.72%); these deposits have an average maturity of 2 days (2009: 47 days).

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:

	2010	2009
Cash and cash equivalents	22,576	19,695

(b) Foreign currency risk

The carrying amounts of the Group's cash assets are denominated in the following currencies:

	2010	2009
Australian dollar	18,758	16,513
US dollar	1,648	1,278
Euro	1,298	1,471
Japanese yen	705	296
Other currencies	167	137
	22,576	19,695

(c) Short-term bank deposit

The Group's corporate banker, HSBC Bank Australia Limited, has provided a bank guarantee in the amount of $106,000 with respect to a rental agreement entered into by the parent entity. A corresponding term deposit amount is held by the bank as security.

Note 27 contains an analysis of sensitivity to foreign exchange risk.

Note 10: Trade and Other Receivables

	Consolidated Group 2010 $000	Consolidated Group 2009 $000
Trade receivables	6,985	5,674
Other receivables	530	384
	7,515	6,058

The carrying value of trade receivables is considered a reasonable approximation of the fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable.

Refer to Note 27 for more information on the risk management policy of the Group.

The average credit period on the sale of goods is 26 days. No interest has been charged on any overdue trade receivable during the year.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

The Group has some trade receivables which are past due at reporting date. These relate to customers who have a good credit history and the Group expects to recover these amounts in full. Therefore there has been no provision for impairment recorded against these trade receivables.

The aging of receivables past due but not impaired are as follows:

More than 30 days	321	217

(a) Foreign currency risk

The carrying amounts of the Group's receivables are denominated in the following currencies:

Australian dollar	404	512
US dollar	3,149	2,184
Euro	2,425	1,860
Japanese yen	1,348	1,411
Other currencies	189	91
	7,515	6,058

Note 27 contains an analysis of the sensitivity of trade and other receivables to foreign exchange risk.

Note 11: Inventories

At cost or net realisable value		
Raw materials	974	1,220
Finished goods	620	612
	1,594	1,832

Note 12: Controlled Entities

(a) Controlled Entities Consolidated	Country of Incorporation	Date of Incorporation	Percentage Owned (%) 2010	2009
Parent Entity:				
Cellestis Limited	Australia	2 November 2000	-	-
Subsidiaries of:				
Cellestis Inc	USA	19 April 2001	100%	100%
Cellestis International Pty Ltd	Australia	23 April 2002	100%	100%
Cellestis (R&D) Pty Ltd	Australia	23 April 2002	100%	100%
Cellestis GmbH	Germany	11 April 2005	100%	100%
Cellestis Asia Kabushiki Kaisha	Japan	14 November 2007	100%	100%
Cellestis AP Pte Ltd	Singapore	4 December 2009	100%	-

(b) **Acquisition or Disposal of Controlled Entities**
The parent entity did not acquire or dispose of any entities during the year.

Note 13: Deed of Cross Guarantee

Cellestis Limited, Cellestis International Pty Ltd and Cellestis (R&D) Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. The following are the aggregate totals, for each category, relieved under the deed.

	Parties to deed of cross guarantee 2010 $000
i. Statement of Comprehensive Income	
Profit before income tax	10,461
Income tax expense	(3,205)
Profit after income tax	7,256
Profit attributable to members of the parent entity	7,256
ii. Retained Earnings	
Retained profits at the beginning of the year	1,516
Profit after income tax	7,256
Dividends provided for or paid	(3,363)
Retained earnings at the end of the year	5,409

Note 13: Deed of Cross Guarantees (continued)

	Parties to deed of cross guarantee 2010 $000
iii. Statement of Financial Position	
CURRENT ASSETS	
Cash and cash equivalents	19,935
Trade and other receivables	4,861
Inventories	213
TOTAL CURRENT ASSETS	25,009
NON-CURRENT ASSETS	
Property, plant and equipment	412
Other financial assets	16,872
Deferred tax assets	404
Intangible assets	203
TOTAL NON-CURRENT ASSETS	17,891
TOTAL ASSETS	42,900
CURRENT LIABILITIES	
Trade and other payables	4,882
Current tax liability	1,584
Short-term provisions	268
TOTAL CURRENT LIABILITIES	6,734
NON-CURRENT LIABILITIES	
Long-term provisions	187
TOTAL NON-CURRENT LIABILITIES	187
TOTAL LIABILITIES	6,921
NET ASSETS	35,979
EQUITY	
Issued capital	29,377
Reserves	1,193
Retained earnings	5,409
	35,979

Note 14: Plant and Equipment

	Consolidated Group	
	2010	2009
	$000	$000
Plant and equipment		
At cost	2,322	1,802
Accumulated depreciation	(1,177)	(1,035)
Total Plant and Equipment	1,145	767

(a) **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	Consolidated Group
	$000
Balance at the beginning of year	767
Additions	763
Depreciation expense	(385)
Carrying amount at the end of year	1,145

(b) **Impairment losses**

The Company has determined that there are no impairment losses as at balance date.

Note 15: Deferred Tax Assets

	Consolidated Group	
	2010	2009
	$000	$000
Non Current		
The balance comprises temporary differences attributable to:		
Tax losses	926	-
Employee benefits	137	162
Accruals and other items	249	333
Inventory	861	392
Total deferred tax assets	2,173	887
Deferred tax assets expected to be recovered within 12 months	2,173	887
Deferred tax assets expected to be recovered after more than 12 months	-	-
	2,173	887

Note 16: Intangible Assets

	Consolidated Group	
	2010	2009
	$000	$000
Licenses and Patents		
Cost	1,235	1,235
Accumulated amortisation and impairment	(1,032)	(914)
Total intangibles	203	321

Balance beginning of year	321	438
Amortisation charge	(118)	(117)
Closing carrying value at end of year	203	321

Intangible assets (i.e. licenses and patents) have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement.

The Company has determined that there are no impairment losses as at balance date.

Note 17: Payables

	Consolidated Group	
	2010	2009
	$000	$000
CURRENT		
Unsecured liabilities		
Trade payables	2,241	1,097
Sundry payables and accrued expenses	3,558	3,877
Income received in advance	272	7
	6,071	4,981

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

(a) Foreign currency risk

The carrying amounts of the Group's payables are denominated in the following currencies:

	2010 $000	2009 $000
Australian dollar	2,225	1,998
US dollar	1,292	918
Euro	2,393	2,010
Japanese yen	157	46
Other currencies	4	9
	6,071	4,981

Note 27 contains an analysis of the sensitivity of trade and other payables to foreign exchange risk.

Note 18: Current Tax Liability

	2010 $000	2009 $000
Income tax	1,630	1,871

Note 19: Provisions

	2010 $000	2009 $000
Employee entitlements		
Current	456	370
Non-current	187	136
	643	506

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 20: Issued Capital

	Consolidated Group	
	2010 $000	2009 $000
96,151,778 (2009: 96,001,778) fully paid ordinary shares	29,377	28,901

(a) Ordinary Shares

	Number	Number
At the beginning of the reporting period	96,001,778	96,001,778
Shares issued during the year		
- 10 November 2009	100,000	
- 18 November 2009	50,000	
At the end of the reporting period	96,151,778	96,001,778

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

All shares rank equally with regard to the Company's residual assets.

(b) Options

(i) For information relating to the Cellestis Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 25.

(ii) 120,000 share options were issued to a director during the financial year under the Cellestis Limited Employee Option Plan. Refer note 25 for information.

Note 21: Reserves

		Consolidated Group	
		2010	2009
	Note	$000	$000
Foreign currency translation reserve	21a	(1,199)	(552)
Option reserve	21b	1,193	838
		(6)	286

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

(b) Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

Note 22: Capital and Leasing Commitments

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
– not later than 12 months	598	488
– Between 12 months and 5 years	1,349	863
	1,947	1,351

Operating leases relate to:

- property leases for business facilities in Australia, USA, Germany and Japan, with lease terms of up to 74 months and negotiable options to extend; and
- motor vehicles and office equipment with lease terms of up to 45 months.

Note 23: Segment Information

The Group operates in three principal reportable segments – Australia (including Japan), United States of America (USA) and Europe. Core business functions (e.g. marketing, research & development, manufacturing, finance) are located in Australia with sales, marketing and distribution also operating in the USA and Europe (Germany). The operating results of these segments are regularly reviewed by the Board of Cellestis Limited to make decisions about resources to be allocated to the segment and assess its performance.

The Group's revenue and results by reportable operating segment for the periods under review are as follows

	Australia/ Japan		USA		Europe		Consolidated Group	
	2010	2009	2010	2009	2010	2009	2010	2009
	$000	$000	$000	$000	$000	$000	$000	$000
External sales	8,949	8,321	17,842	13,927	13,592	12,213	40,383	34,461
Inter-segment sales	14,720	10,653	-	-	-	-	14,720	10,653
Total of all segments	23,669	18,974	17,842	13,927	13,592	12,213	55,103	45,114
Eliminations							(14,720)	(10,653)
Consolidated revenue							40,383	34,461
Segment result	8,507	7,681	1,027	197	689	233	10,223	8,111
Unallocated result							-	1,411
Income tax expense							(1,970)	(1,290)
Profit after income tax							8,253	8,232
ASSETS								
Segment assets	23,317	20,304	7,123	5,084	5,216	4,201	35,656	29,589
Unallocated assets	-	-	-	-	-	-	-	-
Total assets	23,317	20,304	7,123	5,084	5,216	4,201	35,656	29,589
LIABILITIES								
Segment liabilities	6,966	6,272	619	540	759	546	8,344	7,358
Unallocated liabilities	-	-	-	-	-	-	-	-
Total liabilities	6,966	6,272	619	540	759	546	8,344	7,358
OTHER								
Acquisitions of non-curent segment assets	385	52	318	487	60	91	763	630
Depreciation and amortisation of segment assets	227	189	227	253	49	45	503	487

Note 23: Segment Information (continued)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses and provisions. Deferred income taxes are included in the Australia/ Japan segment.

Inter-segment Transfers

Segment revenues, expenses and results include transfers between segments. These transfers are eliminated on consolidation.

Impairment Losses

The Company has determined that there are no segment impairment losses as at balance date.

Note 24: Cash Flow Information

	Consolidated Group	
	2010	2009
	$000	$000
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	8,253	8,232
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Amortisation	118	117
Depreciation	385	370
Net exchange differences	(388)	(980)
Share options expensed	362	208
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade and other receivables	(1,457)	(2,434)
Decrease/(increase) in prepayments	(421)	1
Decrease/(increase) in inventories	238	(980)
Decrease/(increase) in deferred tax assets	(1,286)	(887)
Increase/(decrease) in trade payables and accruals	1,090	1,219
Increase/(decrease) in current tax liabilities	(241)	1,868
Increase/(decrease) in provisions	137	122
Cash flow from operations	6,790	6,856

Note 25: Share-based Payments

The following share-based payment arrangements existed at 30 June 2010:

On 31 October 2006, 672,500 share options were granted under the Cellestis Limited Employee Option Plan to take up ordinary shares at an exercise price of $3.21 per share. The options expire on 30 October 2010 and have varying terms and conditions. The options hold no voting or dividend rights, and are not transferable. As at balance date, 472,500 of these options remain unexercised.

On 16 April 2009, 2,200,000 share options were granted under the Cellestis Limited Employee Option Plan to take up ordinary shares at an exercise price of $2.50 per share. The options expire on 16 April 2014 and have varying terms and conditions. The options hold no voting or dividend rights, and are not transferable. As at balance date, 2,100,000 of these options remain unexercised.

On 30 April 2009, 200,000 share options were granted under the Cellestis Limited Employee Option Plan to take up ordinary shares at an exercise price of $2.80 per share. The options expire on 30 April 2014 and have varying terms and conditions. The options hold no voting or dividend rights, and are not transferable. As at balance date, all 200,000 of these options remain unexercised.

On 27 November 2009, 120,000 share options were granted under the Cellestis Limited Employee Option Plan to take up ordinary shares at an exercise price of $3.32 per share. The options expire on 27 November 2013 and have varying terms and conditions. The options hold no voting or dividend rights, and are not transferable. As at balance date, all 120,000 of these options remain unexercised.

	Consolidated Group & Parent Entity			
	2010		2009	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	3,022,500	$2.67	1,047,500	$2.96
Granted	120,000	$3.32	2,400,000	$2.53
Exercised	(150,000)	$3.21	-	-
Forfeited/ Lapsed	(100,000)	$2.50	(425,000)	$2.59
Outstanding at year-end	2,892,500	$2.67	3,022,500	$2.67
Exercisable at year-end	472,500	$3.21	415,000	$3.21

150,000 options were exercised during the year ended 30 June 2010. These options had a weighted average share exercise price of $3.21 at exercise date.

The options outstanding at 30 June 2010 had a weighted average exercise price of $2.67 and a weighted average remaining contractual life of 3.2 years. Exercise prices range from $2.50 to $3.32 in respect of options outstanding at 30 June 2010.

The weighted average fair value of the options granted during the year was $3.32.

This price was calculated by using a binomial option pricing model applying the following weighted average inputs:

Exercise price	$3.32
Life of the option	4 years
Underlying share price	$3.31
Expected share price volatility	42%
Risk free interest rate	4.65%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate. The life of the options is assumed to be the period from the grant date to the final exercise date. Dividend yield has been assumed to be 0.5%.

Included in the income statement relating to share-based payment is $362,000 (2009: $208,000) and relates, in full, to equity-settled share-based payment transactions.

Note 26: Related Party Transactions

The names of Key Management Personnel and their equity interests in the Company are disclosed in Note 5.

(a) Transactions with Key Management Personnel

(i) Key Management Personnel compensation

Details of Key Management Personnel compensation are disclosed in Note 5 to the financial statements.

(ii) Other transactions with Key Management Personnel

During the financial year, Cellestis Limited engaged McMillan Shakespeare Limited for the provision of salary packaging services for its Australian staff. These services are provided to the employees of Cellestis Limited under normal commercial terms. Mr Pitcher and Mr Bennetts are non-executive directors of McMillan Shakespeare Limited, a company listed on the Australian Securities Exchange.

(b) Transactions between Cellestis Limited and its related parties

(i) During the year there were sale of goods between Cellestis Limited and certain subsidiaries totaling $13,827,000. All intercompany sales are eliminated on consolidation and product pricing is determined with reference to arm's length bases.

(ii) Cellestis Limited recognised tax payable in respect of tax liabilities of its wholly-owned Australian subsidiaries. Payments to/ from the Company are made in accordance with the terms of the tax funding arrangement.

(c) Identification of Ultimate Parent Entity

The parent entity is the ultimate holding company and is incorporated in Australia.

Note 27: Financial Instruments

The Group is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

Cellestis Limited does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Specific risks

- Market risk – currency and interest rate
- Credit risk
- Liquidity

Financial instruments used

The principal categories of financial instruments used by the Group are:

- Cash at bank and in hand
- Short-term bank deposits
- Trade receivables
- Trade and other payables

The Group did not utilise derivative financial instruments during the year and does not have unrecognised financial instruments as at balance date.

Objectives, policies and processes

The Board of Directors is responsible for overseeing and setting the framework for risk management. While the Chief Executive Officer has been delegated authority for the ongoing management of risks, the Chief Financial Officer has been delegated authority for the designing and implementing of processes which follow the objectives and policies.

The Board receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Note 27: Financial Instruments (continued)

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

(a) Market risk

(i) Foreign currency sensitivity

The Group undertakes significant transactions in currencies other than Australian dollars. These transactions are primarily denominated in US dollars, Euros and Japanese yen. Inherently, the Group is therefore exposed to foreign currency risks.

Treasury management strategies are managed by the Chief Financial Officer in consultation with the Chairman and Chief Executive Officer in the context of the most recent economic conditions and forecasts.

To mitigate exposure to foreign currency risk, where possible, the Group utilises natural hedging whereby foreign currency inflows are used to fund foreign currency outflows.

Furthermore, non-Australian cash flows are monitored and forward exchange contracts are considered in accordance with the Group's risk management policies. Although the Group did not have any forward exchange contracts outstanding at balance date, such facilities are available through the Group's corporate banker and have been utilised throughout the year.

Significant Group foreign currency dominated financial assets and liabilities, translated into Australian dollars at the closing rate, are as follows:

2010	US$	Euro	Yen
Nominal amounts	$000	$000	$000
Financial assets	4,797	3,722	2,053
Financial liabilities	(1,292)	(2,393)	(157)
Short-term exposure	3,505	1,329	1,896

2009	US$	Euro	Yen
Nominal amounts	$000	$000	$000
Financial assets	3,462	3,331	1,707
Financial liabilities	(918)	(2,010)	(46)
Short-term exposure	2,544	1,321	1,661

The Group does not have any material long-term exposure as a result of non-current assets or liabilities.

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the US$-AUD, Euro-AUD and Yen-AUD exchange rates. There have been no changes in the assumptions calculating this sensitivity from prior years. It assumes a +/- 1% change in the exchange rates for the year ended 30 June 2010 and 2009.

The 2010 year-end rates are US$/AUD 0.8567, EUR/AUD 0.7019 and Yen/AUD 75.93.

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each balance date and also takes into account outstanding forward exchange contracts that offset effects from changes in currency exchange rates.

If the Australian dollar had weakened by 1% against the noted foreign currencies, then the following positive financial impact would have been expected:

	US$ $000	Euro $000	Yen $000
Net result for the year – 2010	(7)	3	18
Net result for the year – 2009	(4)	(1)	16
Equity – 2010	42	10	1
Equity – 2009	29	14	1

Note 27: Financial Instruments (continued)

For a strengthening of the Australian dollar by 1% against the respective currency there would be an equal and opposite impact and the above movements would have been negative.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

(ii) Interest rate sensitivity

The Group is exposed to interest rate risk as funds are invested at floating interest rates. The Group does not have any exposure to fixed interest rates. All invested funds during 2010 and 2009 were denominated in Australian dollars.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates with effect from the beginning of the year assuming a +/- 1% point change for the years ended 30 June 2010 and 2009. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

	2010		2009	
	$000	$000	$000	$000
Cash and cash equivalents	+1%	-1%	+1%	-1%
Net result	188	(188)	159	(159)
Equity	188	(188)	159	(159)

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

	Floating Interest Rate $000		Fixed Interest Rate Maturing: Within Year $000		Fixed Interest Rate Maturing: 1 to 5 Years $000		Fixed Interest Rate Maturing: Over 5 Years $000		Non-interest Bearing $000		Total $000	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial Assets:												
Cash and cash equivalents	4,056	4,380	15,488	13,734	-	-	-	-	3,032	1,581	22,576	19,695
Receivables	-	-	-	-	-	-	-	-	7,515	6,058	7,515	6,058
Total Financial Assets	4,056	4,380	15,488	13,734	-	-	-	-	10,547	7,639	30,091	25,753
Financial Liabilities:												
Trade and sundry creditors	-	-	-	-	-	-	-	-	6,071	4,981	6,071	4,981
Total Financial Liabilities	-	-	-	-	-	-	-	-	6,071	4,981	6,071	4,981
Weighted average interest rate	0.2%	0.4%	5.1%	3.7%	-	-	-	-	-	-		

Note 27: Financial Instruments (continued)

(b) **Credit risk analysis**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group only uses financial institutions that have a minimum AA rating for its banking and investment activities. Furthermore, the Group utilises a sole corporate banker for the conduct of daily transactions throughout the world. Utilising the bank's internet platform, a secure facility has been implemented to allow the Chief Financial Officer to control cash for all Cellestis' bank accounts across the globe.

The Group has adopted a policy of only extending credit to customers who are considered to be creditworthy as a means of mitigating the risk of financial loss. The utilisation of credit limits by customers is regularly reviewed by line management. In determining whether to extend credit terms, the financial, economic and legal implications are considered on a case-by-case basis. Customers who fail to meet their credit terms are required to make purchases on a prepayment basis until credit worthiness can be re-established.

The Board receives monthly reports summarising the trade receivables and aging profile for each business segment.

The nature of the Group's operations means that its customers are spread throughout the world; however these are concentrated in the USA, the EU and Japan. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The Group's exposure to credit risk is limited to the carrying value of financial assets recognised at balance sheet date.

The Group's management considers that all of the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See Note 10 for further information on impairment of financial assets that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) **Liquidity risk analysis**

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash, including in the various foreign currencies, to allow it to meet its liabilities when they become due. The authority for the management of cash throughout the Group has been delegated to the Chief Financial Officer.

The Group maintains cash at bank and short-term bank deposits to meet its liquidity requirements, and as at balance date, the Group expects to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need access to financing facilities.

Maturity of financial liabilities – the Group expects to settle all liabilities within 6 months.

(d) **Capital risk management**

Financial instruments issued by the Group are classified as equity to the extent that they do not satisfy the definition of a financial liability.

The Group considers its capital to comprise ordinary share capital and retained earnings (accumulated losses). Other equity accounts, such as reserves, are not considered to be capital.

Cellestis Limited's capital management objectives are to ensure the Group's ability to continue as a going concern, so that they can provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure for the continued growth of the Group.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, as considered appropriate, the Group may consider the issue of new shares, return of capital to shareholders or the declaration of dividends.

(e) **Financial Instruments**

(i) Derivative Financial Instruments
The Consolidated Group does not utilise derivative financial instruments.

(ii) Unrecognised Financial Instruments
The Consolidated Group does not have unrecognised financial instruments.

Note 27: Financial Instruments (continued)

(f) **Net Fair Values**

An analysis of financial assets and financial liabilities shows that net fair value approximates their carrying value.

	2010		2009	
	Carrying Amount $000	Net Fair Value $000	Carrying Value $000	Net Fair Value $000
Financial assets				
Cash	22,576	22,576	19,695	19,695
Receivables	7,515	7,515	6,058	6,058
	30,091	30,091	25,753	25,753
Financial Liabilities				
Trade and sundry creditors	6,071	6,071	4,981	4,981
	24,020	24,020	20,772	20,772

All financial assets and financial liabilities held at cost.

Note 28: Parent Entity Financial Information

	Parent Entity	
	2010 $000	2009 $000
Summary Financial information		
Balance Sheet		
Current Assets	23,489	16,778
Total Assets	36,853	37,181
Current Liabilities	6,732	6,087
Total Liabilities	6,919	6,223
Shareholders' Equity		
Issued Capital	29,377	28,901
Reserves		
Share Options	1,193	838
Retained Earnings	(636)	1,219
	29,934	30,958
Profit for the Year	1,450	1,902
Total comprehensive income	1,450	1,902

Note 29: Events After the Balance Sheet Date

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

Note 30: Contingent Liabilities and Contingent Assets

The Consolidated Group is not aware of any material contingent assets or liabilities as at the date of this report.

Note 31: Company Details

The registered office of the Company is:

Cellestis Limited
Level 1, Office Tower 2, 1341 Dandenong Road, Chadstone Centre, Victoria, 3148, Australia

The principal places of business are:

— Cellestis Limited
Level 1, Office Tower 2, 1341 Dandenong Road, Chadstone Centre, Victoria, 3148, Australia

— Cellestis Inc
(North American Office)
28358 Constellation Road, Unit 698, Valencia, California, 91355, USA

— Cellestis GmbH
(Europe Office)
Robert Bosch Strasse 7, D 64293, Darmstadt, Germany

— Cellestis Asia Kaibushiki Kaisha
(Japan Office)
Ark Mori Building 12 F, 1-12-32 Akasaka, Minato-ku, Tokyo 107-6012, Japan

— Cellestis AP Pte Ltd
(Singapore Office)
#09-01 Ocean Towers, Singapore 048620

Directors' Declaration

In the directors' opinion

a. the financial statements and notes set out on pages 19 to 49 are in accordance with the Corporations Act 2001, including:

   (i) complying with accounting standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements, and;

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date, and;

b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and;

c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 13 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 13.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

Ronald Pitcher

7th September 2009

Anthony Radford

Independent Auditor's Report

to the members of Cellestis Limited

PRICEWATERHOUSECOOPERS

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Report on the financial report

We have audited the accompanying financial report of Cellestis Limited (the company), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Cellestis Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 16 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Cellestis Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Graeme Billings
Partner

Melbourne
7 September 2010

Liability limited by a scheme approved under Professional Standards Legislation

Additional Information
for Listed Public Companies

The following additional information is required by ASX Limited in respect of listed public companies only and is current as at 30 August 2010.

1. **Shareholding**

a. **Distribution of Share and Option Holders**

Category (size of Holding)	Ordinary Shares	Options $3.21	Options $2.50	Options $2.80	Options $3.32
1 – 1,000	1,430	-	-	-	-
1,001 – 5,000	2,074	-	-	-	-
5,001 – 10,000	694	-	-	-	-
10,001 – 100,000	889	5	12	-	-
100,001 and over	125	1	6	1	1
	5,212	6	18	1	1

b. The number of shareholdings held in less than marketable parcels is 206.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number Ordinary
Anthony Radford & associates	11,449,690
James Rothel & associates	11,449,689

d. **Voting Rights**
Every shareholder present in person or by proxy at a meeting of shareholders has one vote on a vote taken by a show of hands, and on a poll every shareholder who is present in person or by proxy has one vote for every fully paid share held.
A poll may be demanded at a meeting in the manner permitted by the Corporations Act.

e. **20 Largest Shareholders — Ordinary Shares**

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Koona Nominees Pty Ltd	8,234,158	8.7%
2.	Dr James Rothel & Mrs Linda Rothel	7,766,532	8.1%
3.	Dr James Rothel	3,683,157	3.8%
4.	Dr Anthony John Radford	3,215,532	3.3%
5.	Asia Pac Technology Pty Ltd	2,298,607	2.4%
6.	National Nominees Pty Ltd	1,935,957	2.0%
7.	JP Morgan Nominees Australia Limited	1,617,181	1.7%
8.	Equity Trustees Limited	1,610,851	1.7%
9.	Sandhurst Trustees Ltd (JM Asset Management A/C)	1,516,633	1.6%
10.	Kassim Pty Ltd	1,096,355	1.1%
11.	ANZ Nominees Limited	911,194	1.0%
12.	RBC Dexia Investor Services Australia Nominees Pty Ltd	889,196	0.9%
13.	Mr James Keith Escott & Mrs Phyllis Christine Escott	750,720	0.8%
14.	Citicorp Nominees Pty Ltd	736,054	0.8%
15.	Mr Graham Craig Barrett & Mr Matthew Phillip Belleville	500,000	0.5%
16.	Solar Flair Pty Ltd	500,000	0.5%
17.	Superose Pty Ltd	498,000	0.5%
18.	RJ Services Pty Ltd	465,212	0.4%
19.	Opeka Super Pty Ltd	440,989	0.4%
20.	Ormond Heights Pty Ltd	387,538	0.4%
		39,053,866	40.6%

2. The name of the Company Secretary is Brian Manuel.

3. The address of the principal registered office in Australia is:
Level 1, Office Tower 2, 1341 Dandenong Road, Chadstone Centre, Victoria, 3148. Telephone +61 3 8527 3500

4. Registers of securities are held at the following address:
Computershare Investor Services Pty Ltd, Yarra Falls, 452 Johnson Street, Abbotsford, Victoria, 3067

5. Stock Exchange Listing
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the ASX Limited and the Home Exchange is Melbourne.

6. Unquoted Securities
There are a total of 2,892,500 (2009: 3,022,500) options over unissued shares on issue to 27 (2009: 21) holders under the Company's option plan.

7. On-market Buy-back
The Company does not have a current on-market buy-back.

Corporate Governance Statement

This statement outlines the main corporate governance policies and practices of Cellestis Limited.

Reference is made to the revised Corporate Governance Principles and Recommendations (2nd Edition) issued by the ASX Corporate Governance Council in August 2007.

Unless disclosed below, these recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010.

The Board believes that all concepts have been satisfied, however the Board is realistic with respect to the relative size and nature of the Company and have implemented the Recommendations accordingly. The Company endeavours to ensure exceptions to the guidelines do not have negative impact on the best interests of shareholders.

The Board has delegated responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO). However, the CEO must consult the Board on matters that are sensitive, extraordinary or of a highly strategic nature.

The role of the Board of Directors of the Company is to provide strategic guidance for the Company and effective oversight of management. The Board operates in accordance with the Company's Constitution and Board Charter, which describes the Board's composition, functions and responsibilities and designates authority reserved to the Board and that which is delegated to management.

The Board's functions are set out in the Company's Board Charter, a copy of which is available upon request. Key matters reserved to the Board include:

- the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- monitoring the implementation of policies and strategies approved by the Board;
- monitoring the achievement of financial objectives;
- appointing, removing and monitoring the performance of the CEO, Chief Scientific Officer (CSO) and the Chief Financial Officer (CFO)/ Company Secretary;
- reviewing and approving the authority and limits of such authority delegated to the CEO and management;
- ensuring appropriate succession planning for Board members and senior management;
- approving and monitoring financial and other reporting;
- determining the Company's dividend policy;
- approving and monitoring major capital expenditure, capital management, funding, acquisitions and divestments;
- delegating to management the design and implementation of risk management controls and compliance systems to manage the Company's material business risks;
- oversight of the effectiveness of risk management and compliance systems;
- setting standards of behaviour to enhance the reputation of the Company in the market and the community;
- the Company's corporate governance policies and practices;
- the nomination of additional Director appointments.

Structure of the Board

Each Director is a senior and experienced executive with skills and experience necessary for the proper supervision and leadership of the Company. As a team, the Board brings together a broad range of qualifications and experience in biotechnology science, medicine, finance, law and public company affairs.

Details of the Directors, their experience and their special responsibilities with respect to the Company are set out in the Directors' Report.

The majority of the Board is comprised of Non-executive independent Directors.

The criteria for assessing the independence of a Director are set out in Cellestis' Policy on the Assessment of Independence of Director.

As at the date of this Annual Report, the names of Directors of the Company and whether they are considered to be independent are:

Name	Position
Mr. R.G. Pitcher, AM	Non-executive Chairman (Independent)
Prof. A. Catanzaro	Non-executive Director (Independent)
Mr. J.G. Bennetts	Non-executive Director (Independent)
Dr. A.J. Radford	Managing Director & Chief Executive Officer
Dr. J.S. Rothel	Executive Director & Chief Scientific Officer

The Board has established two committees of Directors to carry out certain tasks, being the Audit Committee and the Remuneration Committee. Details of names and relevant qualifications of the Directors appointed to these committees, the number of meetings of each committee held during the year ended 30 June 2010 and the attendance record for each relevant member can be found in the Directors' Report. Each committee has a documented charter approved by the Board, copies of which are available upon request.

Given the nature and size of the Company's operations, the Board has decided against the use of a separate risk management committee and a nominations committee. These functions are undertaken by the full Board.

The Board has delegated the responsibility for evaluating the performance of the Board and the individual Board members to the Chairman. The performance evaluation includes the examination of the performance of the Board and the individual Board members as against the Board Charter. These reviews for 2010 have taken place.

Ethical and Responsible Decision-Making

The Company has adopted a Code of Conduct that applies to all Directors and employees of the Company. The Code of Conduct reflects the commitment of the Company to ethical standards and practices.

The Company has implemented a policy on securities trading that applies to all of the Company's Directors, officers and employees. The policy requires that all Directors, officers and employees are aware of the legal restrictions on trading in the Company's securities while in possession of unpublished price-sensitive information.

The policy restricts Directors, officers and employees from acting on material information until it has been released to the market.

Integrity in Financial Reporting

The Board has established an Audit Committee, which is structured so that the Committee is chaired by a Non-executive Director and consists of at least two members, all of whom are independent Non-executive Directors.

The ASX Guidelines recommend that the Committee should be chaired by a person who is not the Chairman of the Board and consist of at least three members. The Audit Committee, as currently composed, does not comply with these recommendations.

The Audit Committee is chaired by Mr. Pitcher who, while independent, is also the Chairman of the Board. Mr. Pitcher is a Fellow Chartered Accountant with over 45 years experience in the accounting profession and the provision of business advisory services. Given the Company's highly specialised activities and Mr. Pitcher's extensive accounting and business experience, the Board believes that Mr. Pitcher is the most appropriate person to chair the Audit Committee.

The Audit Committee comprises two members, both of whom have experience as members of Audit Committees. Therefore the Company's position is one whereby it considers the current membership of the Audit Committee to be appropriate and effective.

The names and qualifications of those appointed to the Audit Committee and their attendance at meetings of the Committee are included in the Directors' Report.

Timely and Balanced Disclosure

The Company's commitment to communicating with its shareholders is embodied in its Continuous Disclosure Policy, which contains policies and procedures designed to ensure accountability at the senior management level for compliance with disclosure obligations.

Rights of Shareholders

The Company has a policy for communications with shareholders and other stakeholders to ensure that:

- the requirements of the ASX Listing Rules are met;
- timely and accurate information is provided to shareholders and other interested parties; and
- the procedures for disseminating information are fair, timely and cost efficient.

Where possible, the Company encourages the use of electronic communication.

In addition to the distribution of the Annual Report, information is communicated to shareholders via the announcements section of the Company's website. Shareholders may register through the Company's website so that they receive electronic notification of ASX lodgements and other latest news on scientific publications, medical conferences, etc.

Recognise and Manage Risks

The Board oversees the Company's risk management and control systems and reviews the effectiveness of risk management on an ongoing basis.

The Board delegates to the CEO the responsibility of identifying, assessing and managing key business risks, reporting to the Board. Policies and procedures have been adopted, as appropriate, to manage or ameliorate the impact of identified risks.

The Company utilises a risk assessment approach for all of its global operations to ensure that risks are consistently assessed and reported to the CEO and the Board.

The Board has ultimate responsibility for the integrity of the Company's financial reporting. The Directors have received and considered written representations from the CEO and the CFO of the Company in accordance with the ASX Guidelines.

The CEO and the CFO of the Company have made the following representations to the Board

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operating results of the Company, and are in accordance with the relevant accounting standards; and
- That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that compliance and control is operating efficiently and effectively in all material respects.

The Company Auditor is invited to attend Annual General Meetings and makes himself available to answer questions from the members of the Company about the conduct of the audit and the preparation and content of the auditor's report.

Remunerate Fairly and Responsibly

The Board has established a Remuneration Committee, which is structured so that the Committee is chaired by a Non-executive Director and consists of at least three members, the majority of whom are independent Non-executive Directors.

The remuneration policy, which sets the terms and conditions for the CEO and other senior executives, is developed by the Remuneration Committee and approved by the Board. Although a member of the Remuneration Committee, the CEO is not involved in the determination of his own remuneration.

Information pertaining to the Company's remuneration policies is detailed in the Directors' Report.

The Remuneration Committee is empowered to investigate any matter brought to its attention and has direct access to any employee or any independent experts and advisors as it considers appropriate in order to ensure that its responsibilities can be carried out effectively.

The Remuneration Committee has a documented charter approved by the Board.

The names of the members of the Remuneration Committee and their attendance at meetings of the Committee are detailed in the Directors' Report.

Personal Notes

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