

# Notes to the Financial Statements

for the year ended 30 June 2009

This financial report covers the consolidated group of Cellestis Limited and controlled entities, and Cellestis Limited as an individual parent entity. Cellestis Limited is a listed public company, incorporated and domiciled in Australia.

## Note 1: Statement of Significant Accounting Policies

### Statement of Compliance

The financial report is a general purpose financial report that has 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 report of Cellestis Limited and controlled entities, and Cellestis Limited as an individual parent entity complies with all International Financial Reporting Standards (IFRS) in their entirety. The financial statements were approved by the Board of Directors on 3rd September 2009.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. 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 report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### *Early Adoption of Accounting Standards*

The Directors have elected under s.334(5) of the Corporations Act 2001 to apply AASB 8 'Operating Segment' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8', even though the Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2009.

AASB 8 is a disclosure standard which has resulted in a redesignation of the Group's reportable segments (see note 22), but has no impact on the reported results or financial position of the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

## 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 economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity 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 balance sheet.

### (b) Income Tax

The economic entity 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. No deferred income tax will be recognised from the

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 1: Statement of Significant Accounting Policies (continued)

### (b) Income Tax (continued)

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 can be utilised.

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

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.

### (c) Inventories

Inventories are measured at the lower of cost and net realisable value. Provisions are determined on a specific basis as required.

### (d) 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 economic entity 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 balance sheet 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 income statement.

### (e) 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. 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 and development expenditure is recognised as an expense when incurred.

Research and development expenditure is only considered for capitalisation where expenditure is significant and assured beyond a reasonable doubt.

### (f) 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.

### (g) 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.

### (h) 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.

### (i) 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

# Notes to the Financial Statements

for the year ended 30 June 2009

Continued

## Note 1: Statement of Significant Accounting Policies (continued)

### (i) Foreign Currency Transactions and Balances (continued)

exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are charged directly to the income statement.

### (j) Revenue

Revenue from the sale of goods is recognised upon the delivery 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).

### (k) 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.

### (l) Impairment of Assets

At each reporting date, the economic entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the economic entity 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 income statement 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 income statement immediately.

### (m) 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.

### (n) Financial Instruments

#### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

#### 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 recorded at cost.

### (o) Investments in Subsidiaries

Investments in subsidiaries are carried at cost.

### (p) 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 over the periods necessary to match the grant to the costs they are compensating.

### (q) Goods and Services Tax (GST)

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

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

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 1: Statement of Significant Accounting Policies (continued)

### (r) 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.

### (s) 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.

### (t) Comparative Figures

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

### (u) 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 2009. 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 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and

Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognized in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only

be provisionally accounted for during a period of 12 months after acquisition;

- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognized as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  - where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganization.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
  - AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalizing qualifying borrowing costs has been maintained by the Group.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 1: Statement of Significant Accounting Policies (continued)

### (u) Accounting Standards and Interpretations issued but not yet effective and not yet adopted (continued)

- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) 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.

- AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognized in profit or loss.

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.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 2: Revenue

	Note	Economic Entity		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Operating activities					
– sale of goods		34,461	18,829	12,289	9,149
– interest received	2(a)	780	759	770	746
<b>Total Revenue</b>		<b>35,241</b>	<b>19,588</b>	<b>13,059</b>	<b>9,895</b>
(a) Interest revenue from:					
– other persons		780	759	770	746

## Note 3: Profit from Ordinary Activities

### (a) Expenses

Depreciation of plant & equipment	(370)	(304)	(70)	(71)
Amortisation of license	(117)	(118)	(117)	(118)
Foreign currency translation gains/ (losses) other	5	47	(173)	(57)
Rental expense on operating leases				
– minimum lease payments	(574)	(314)	(103)	(102)
Share options expenses	(208)	(329)	(208)	(329)

### (b) Significant Revenue and Expenses

Foreign exchange gain/ (loss) on intercompany payments	1,411	(580)	-	-
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# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 4: Income Tax Expense

	Note	Economic Entity		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
(a) The components of tax expense comprise:					
Current tax		2,053	1,584	425	-
Deferred tax		(481)	-	(418)	724
Recoupment of prior year tax losses		(408)	(1,580)	(290)	(724)
Under provision in respect of prior years		126	-	126	-
		1,290	4	(157)	-
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
Prima facie tax payable on profit from ordinary activities before income tax at 30%:		2,433	678	523	694
Add tax effect of:					
— Prior year under provision		126	-	126	-
— Non-deductible amortisation		35	35	35	35
— Other non-allowable/ (allowable) items		258	53	(15)	110
— R&D concession		(204)	(115)	(204)	(115)
		2,648	651	465	724
Less tax effect of:					
Recovery of prior year tax losses not previously brought to account		(408)	(1,580)	(290)	(724)
Deferred tax asset not brought to account		-	1,092	-	-
Deferred tax assets for temporary difference brought to account for first time		(948)	-	(332)	-
Tax effect of different foreign jurisdictions		(2)	(159)	-	-
Income tax expense attributable to entity		1,290	4	(157)	-

As at balance date, there are unconfirmed tax losses with a benefit of approximately \$2,585,000 (2008: \$2,235,000) 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 derives future assessable income of a nature and amount sufficient to enable the benefit 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.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## 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 2009.

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

	2009 \$000	2008 \$000
Short-term employee benefits	1,518	1,225
Post-employment employee benefits	62	53
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	70	127
	1,650	1,405

### a. Options and Rights Holdings

Number of options over ordinary shares held by Key Management Personnel

	Balance 1.7.08	Options Lapsed	Options Granted as Remuneration	Balance 30.6.09	Total Vested 30.6.09	Total Exercisable	Total Unexercisable
Mr. R.G. Pitcher, AM	-	-	-	-	-	-	-
Dr. A.J. Radford	-	-	-	-	-	-	-
Dr. J.S. Rothel	-	-	-	-	-	-	-
Prof. A. Catanzaro	75,000	(75,000)	-	-	-	-	-
Mr. J.G. Bennetts	-	-	-	-	-	-	-
Mr. M.S. Boyle	150,000	-	200,000	350,000	150,000	100,000	50,000
Mr. P.B. Lebeau	200,000	(200,000)	200,000	200,000	-	-	-
Mr. B.H. Manuel	100,000	-	200,000	300,000	100,000	66,667	33,333
Total	525,000	(275,000)	600,000	850,000	250,000	166,667	83,333

### b. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.08	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.09
Mr. R.G. Pitcher, AM	160,000	-	-	-	160,000
Dr. A.J. Radford	12,014,690	-	-	-	12,014,690
Dr. J.S. Rothel	12,014,689	-	-	-	12,014,689
Prof. A. Catanzaro	175,000	-	-	-	175,000
Mr. J.G. Bennetts	2,498,607	-	-	-	2,498,607
Mr. M.S. Boyle	60,434	-	-	(3,000)	57,434
Mr. P.B. Lebeau	-	-	-	-	-
Mr. B.H. Manuel	1,000	-	-	-	1,000
Total	26,924,420	-	-	(3,000)	26,921,420

\* 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 described in the tables above.

For details of other transactions with Key Management Personnel, refer Note 24: Related Party Transactions.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 6: Auditors' Remuneration

	Economic Entity		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Remuneration of the auditor of the parent entity for:				
– auditing or reviewing the financial report	53	32	53	32

## Note 7: Dividends

Dividends paid during the year				
– Interim unfranked ordinary dividend of \$0.01 (2008: Nil) per share	960	-	960	-
a. Proposed final 2009 fully franked ordinary dividend of \$0.02 (2008: Nil) per share franked at the tax rate of 30%	1,920	-	1,920	-
b. Balance of franking account at year end Adjusted for:	301	-	301	-
– Credits that have arisen from the payment of income tax subsequent to the year end	582	-	582	-
– Impact on the franking account of dividends proposed by the directors since year end reflected per (a) above	(823)	-	(823)	-
	60	-	60	-

## Note 8: Earnings per Share

	Economic Entity	
	2009 \$000	2008 \$000
a. Reconciliation of earnings to net profit or loss		
Net profit	8,232	1,676
Earnings used in the calculation of basic and dilutive EPS	8,232	1,676
	<b>Number of shares/ options</b>	<b>Number of shares/ options</b>
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	96,001,778	96,001,778
Weighted average number of options outstanding	1,402,158	1,064,577
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	97,403,936	97,066,355
c. Classification of securities		
The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:		
– Options outstanding	3,022,500	1,047,500
d. Basic earnings per share (cents per share)	8.57¢	1.75¢
Diluted earnings per share (cents per share)	8.45¢	1.73¢

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 9: Cash and Cash Equivalents

	Note	Economic Entity		Parent Entity	
		2009 \$ 000	2008 \$ 000	2009 \$ 000	2008 \$ 000
Cash at bank and in hand		3,253	3,044	106	855
Short-term bank deposits		16,442	11,097	16,442	11,097
		19,695	14,141	16,548	11,952

The effective interest rate on short-term bank deposits was 3.72% (2008: 7.80%); these deposits have an average maturity of 47 days (2008: 29 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 balance sheet as follows:

Cash and cash equivalents	19,695	14,141	16,548	11,952
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### (b) Foreign currency risk

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

Australian dollar	16,513	11,301	16,506	11,291
US dollar	1,278	1,506	40	661
Euro	1,471	867	2	-
Japanese yen	296	407	-	-
Other currencies	137	60	-	-
	19,695	14,141	16,548	11,952

Note 26 contains an analysis of sensitivity to foreign exchange risk.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 10: Trade and Other Receivables

Note	Economic Entity		Parent Entity	
	2009 \$ 000	2008 \$ 000	2009 \$ 000	2008 \$ 000
Trade receivables	5,674	3,320	-	-
Other receivables	384	304	121	61
	6,058	3,624	121	61

During the year the Parent Entity reclassified the amounts receivable from wholly owned subsidiaries to non-current investments carried at cost.

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 26 for more information on the risk management policy of the Group.

The average credit period on the sale of goods is 27 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 and none have been found to be impaired.

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	217	65	121	61
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### (a) Foreign currency risk

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

Australian dollar	512	281	121	61
US dollar	2,184	1,043	-	-
Euro	1,860	1,319	-	-
Japanese yen	1,411	917	-	-
Other currencies	91	64	-	-
	6,058	3,624	121	61

Note 26 contains an analysis of the sensitivity of trade and other receivables to foreign exchange risk.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 11: Inventories

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$ 000	\$ 000	\$ 000	\$ 000
At lower of cost or net realisable value:				
Raw materials	1,220	527	83	175
Finished goods	612	325	-	-
	1,832	852	83	175

## Note 12: Controlled Entities

(a) <b>Controlled Entities Consolidated</b>	<b>Country of Incorporation</b>	<b>Date of Incorporation</b>	<b>Percentage Owned (%)</b>	
			<b>2009</b>	<b>2008</b>
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%

### (b) Acquisition or Disposal of Controlled Entities

The parent entity did not acquire or dispose of any entities during the year.

## Note 13: Plant and Equipment

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$ 000	\$ 000	\$ 000	\$ 000
Plant and equipment				
At cost	1,802	1,214	509	464
Accumulated depreciation	(1,035)	(707)	(375)	(308)
Total Plant and Equipment	767	507	134	156

### (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

	Economic Entity	Parent Entity
	\$ 000	\$ 000
Balance at the beginning of year	507	156
Additions	630	48
Depreciation expense	(370)	(70)
Carrying amount at the end of year	767	134

### (b) Impairment Losses

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

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 14: Other Financial Assets

	Economic Entity		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Non Current</b>				
<b>Investments carried at cost:</b>				
Shares in unlisted subsidiary companies	-	-	53	53
Amounts receivable from wholly owned subsidiaries	-	-	19,482	19,968
	-	-	19,535	20,021

During the year the Parent Entity reclassified the amounts receivable from wholly owned subsidiaries to non-current investments carried at cost.

## Note 15: Intangible Assets

Licenses and Patents				
Cost	1,235	1,235	1,235	1,235
Accumulated amortisation and impairment	(914)	(797)	(914)	(797)
Total intangibles	321	438	321	438

## Economic and Parent Entities

	2009 \$000	2008 \$000
Balance beginning of year	438	556
Amortisation charge	(117)	(118)
Closing carrying value at end of year	321	438

Intangible assets (i.e. licences 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.

### Impairment Disclosures

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

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 16: Payables

	Note	Economic Entity		Parent Entity	
		2009 \$ 000	2008 \$ 000	2009 \$ 000	2008 \$ 000
Unsecured liabilities					
Trade payables		1,097	1,309	799	733
Sundry payables and accrued expenses		3,877	2,403	3,240	2,036
Income received in advance		7	50	-	-
		4,981	3,762	4,039	2,769

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:

Australian dollar	1,998	1,334	1,995	1,330
US dollar	918	924	494	511
Euro	2,010	1,471	1,550	923
Japanese yen	46	26	-	5
Other currencies	9	7	-	-
	4,981	3,762	4,039	2,769

Note 26 contains an analysis of the sensitivity of trade and other payables to foreign exchange risk.

## Note 17: Current tax liability

Income tax	1,871	3	1,871	-
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## Note 18: Provisions

### Analysis of Total Provisions

Current	370	301	177	149
Non-current	136	83	136	83
	506	384	313	232

### 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.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 19: Issued Capital

	Economic Entity		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
96,001,778 (2008: 96,001,778) fully paid ordinary shares	28,901	28,901	28,901	28,901

(a) <b>Ordinary Shares</b>	Number	Number	Number	Number
At the beginning of reporting period and at reporting date	96,001,778	96,001,778	96,001,778	96,001,778

The Company does not have authorized 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 Cellectis 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 24.
- (ii) There were no share options issued to directors during the financial year.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 20: Reserves

	Note	Economic Entity		Parent Entity	
		2009 \$ 000	2008 \$ 000	2009 \$ 000	2008 \$ 000
Foreign currency translation reserve	20a	(552)	140	-	-
Option reserve	20b	838	1,021	838	1,021
		286	1,161	838	1,021

### (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 21: Capital and Leasing Commitments

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		488	388	41	102
— Between 12 months and 5 years		863	762	7	49
		1,351	1,150	48	151

Operating leases relate to:

- property leases for business facilities in Australia, USA, Germany and Japan, with lease terms of up to 46 months and negotiable options to extend; and
- motor vehicles and office equipment with lease terms of up to 47 months.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 22: Segment Information

The Group has adopted AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 in advance of their effective dates, with effect from 1 July 2008. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. This basis of identification is consistent with that applied during prior reporting periods and as a result the Group's reportable segments effectively have not changed.

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

	Australia/ Japan		USA		Europe		Economic Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
External sales	8,321	4,873	13,927	7,226	12,213	6,730	34,461	18,829
Inter-segment sales	10,653	8,336	-	-	-	-	10,653	8,336
Total of all segments	18,974	13,209	13,927	7,226	12,213	6,730	45,114	27,165
Eliminations							(10,653)	(8,336)
Consolidated revenue							34,461	18,829
Segment result	7,681	5,439	197	(1,421)	233	(1,758)	8,111	2,260
Unallocated result							1,411	(580)
Income tax expense							(1,290)	(4)
Profit after income tax							8,232	1,676
<b>ASSETS</b>								
Segment assets	20,304	14,381	5,084	2,544	4,201	2,667	29,589	19,592
Unallocated assets	-	-	-	-	-	-	-	-
Total assets	20,304	14,381	5,084	2,544	4,201	2,667	29,589	19,592
<b>LIABILITIES</b>								
Segment liabilities	6,272	3,029	540	463	546	657	7,358	4,149
Unallocated liabilities	-	-	-	-	-	-	-	-
Total liabilities	6,272	3,029	540	463	546	657	7,358	4,149
<b>OTHER</b>								
Acquisitions of non-current segment assets	52	62	487	61	91	10	630	133
Depreciation and amortisation of segment assets	189	190	253	203	45	29	487	422

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 22: 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. Segment assets and liabilities do not include deferred income taxes.

### 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 23: Cash Flow Information	Note	Economic Entity		Parent Entity	
		2009 \$ 000	2008 \$ 000	2009 \$ 000	2008 \$ 000
(a) <b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>					
Profit after income tax		8,232	1,676	516	2,315
Cash flows excluded from profit attributable to operating activities					
Non-cash flows in profit					
Amortisation		117	118	117	118
Depreciation		370	304	70	71
Currency translation differences		(692)	356	-	-
Share options expensed		208	329	208	329
Foreign exchange (gain)		(288)	-	(7)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries					
Decrease/(increase) in trade and other receivables		(2,434)	(1,823)	(60)	(2,613)
Decrease/(increase) in other financial assets		-	-	2,402	(10)
Decrease/(increase) in prepayments		1	(20)	(20)	(1)
Decrease/(increase) in inventories		(980)	(194)	92	(109)
Increase/(decrease) in trade payables and accruals		1,219	1,296	1,190	814
Increase/(decrease) in tax liabilities		981	3	1,008	-
Increase/(decrease) in provisions		122	80	81	47
Cash flow from operations		6,856	2,125	5,597	961

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 24: Share-based Payments

The following share-based payment arrangements existed at 30 June 2009:

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, 622,500 of these options remain unexercised.

On 21 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 21 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 2,200,000 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.

	Economic & Parent Entities			
	2009		2008	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	1,047,500	\$2.96	1,047,500	\$2.96
Granted	2,400,000	\$2.53	50,000	\$2.25
Exercised	-	-	-	-
Forfeited/ Lapsed	(425,000)	\$2.59	(50,000)	\$2.30
Outstanding at year-end	3,022,500	\$2.67	1,047,500	\$2.96
Exercisable at year-end	415,000	\$3.21	582,500	\$2.84

No options were exercised during the year ended 30 June 2009.

The options outstanding at 30 June 2009 had a weighted average exercise price of \$2.67 and a weighted average remaining contractual life of 3.8 years. Exercise prices range from \$2.50 to \$3.21 in respect of options outstanding at 30 June 2009.

The weighted average fair value of the options granted during the year was \$2.53.

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

Exercise price	\$2.53
Life of the option	5 years
Underlying share price	\$2.59
Expected share price volatility	35%
Risk free interest rate	4.01%

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 \$208,000 (2008: \$329,000) and relates, in full, to equity-settled share-based payment transactions.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 25: 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, the Group incurred \$27,298 for the provision of software development consulting from Catanzaro Consulting, under normal commercial terms. This US company is owned by a related party to Prof Antonino Catanzaro.
- (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 \$12,289,000. All intercompany sales are eliminated on consolidation and product pricing is determined with reference to arm's length bases.
  - (ii) Cellestis Limited recognized 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 26: 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 minimize 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.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 26: 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 utilizes 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.

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

2009	US\$	Euro	Yen
<i>Nominal amounts</i>	\$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
<b>2008</b>	<b>US\$</b>	<b>Euro</b>	<b>Yen</b>
<i>Nominal amounts</i>	\$000	\$000	\$000
Financial assets	2,549	2,186	1,324
Financial liabilities	(924)	(1,471)	(26)
Short-term exposure	1,625	715	1,298

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 2009 and 2008.

The 2009 year-end rates are US\$/AUD 0.8048, EUR/AUD 0.5729 and Yen/AUD 76.90.

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\$	Euro	Yen
	\$000	\$000	\$000
Net result for the year – 2009	-	-	-
Net result for the year – 2008	-	-	-
Equity – 2009	25	13	17
Equity – 2008	16	7	13

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 26: 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 2009 and 2008 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 2009 and 2008. 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.

	2009		2008	
	\$000	\$000	\$000	\$000
Cash and cash equivalents	+1%	-1%	+1%	-1%
Net result	159	(159)	112	(112)
Equity	159	(159)	112	(112)

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		Fixed Interest Rate Maturing						Non-interest Bearing		Total	
	\$000		Within Year		1 to 5 Years		Over 5 Years		\$000		\$000	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Financial Assets:												
Cash and cash equivalents	4,380	3,478	13,734	10,255	-	-	-	-	1,581	408	19,695	14,141
Receivables	-	-	-	-	-	-	-	-	6,058	3,624	6,058	3,624
<b>Total Financial Assets</b>	<b>4,380</b>	<b>3,478</b>	<b>13,734</b>	<b>10,255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,639</b>	<b>4,032</b>	<b>25,753</b>	<b>17,765</b>
Financial Liabilities:												
Trade and sundry creditors	-	-	-	-	-	-	-	-	4,901	3,762	4,901	3,762
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,901</b>	<b>3,762</b>	<b>4,901</b>	<b>3,762</b>
Weighted average interest rate	0.4%	2.9%	3.7%	7.8%	-	-	-	-	-	-	-	-

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 26: 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 utilizes 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 utilization 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 summarizing 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.

### (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 economic entity does not utilise derivative financial instruments.

#### (ii) Unrecognised Financial Instruments

The economic entity does not have unrecognised financial instruments.

# Notes to the Financial Statements Continued

for the year ended 30 June 2009

## Note 26: Financial Instruments (continued)

### (f) Net Fair Values

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

	2009		2008	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$000	\$000	\$000	\$000
Financial assets				
Cash	19,695	19,695	14,141	14,141
Receivables	6,058	6,058	3,624	3,624
	25,753	25,753	17,765	17,765
Financial Liabilities				
Trade and sundry creditors	4,981	4,981	3,762	3,762
	20,772	20,772	14,003	14,003

## Note 27: 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 economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

## Note 28: Contingent Liabilities and Contingent Assets

The economic entity is not aware of any material contingent asset or liability as at the date of this report other than as stated below.

Contingent Liability – Related party guarantee provided by the parent entity

The parent entity has provided a limited guarantee in relation to the provision of a credit card facility for its US subsidiary. This guarantee is limited to USD 200,000 and is for the term of the facility.

## Note 29: Company Details

The registered office of the Company is:

Cellestis Limited  
1046A Dandenong Road, Carnegie, Victoria, 3163, Australia

The principal places of business are:

- Cellestis Limited  
1046A Dandenong Road, Carnegie, Victoria, 3163, 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