CELLMID LIMITED
ACN 111 304 119
AND CONTROLLED ENTITY

RESULTS FOR ANNOUNCEMENT TO THE MARKET
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

		$A
Revenues from ordinary activities for the year	up 12.6% to	171,273
Revenues from discontinued operations	N/A	
Revenues from ordinary operations	up 12.6% to	171,273
Loss from ordinary activities after tax attributable to members	down 13.2% to	(1,970,360)
Loss from discontinued operations after tax attributable to members	N/A	-
Loss from ordinary activities after tax attributable to members	down 13.2% to	(1,970,360)
Loss from extraordinary items after tax attributable to members		NIL
Net Loss after tax for the year attributable to members	down 13.2% to	(1,970,360)

Dividends (distributions)	Amt per Security	Franked amount per Security
Interim dividend	NIL	NIL
Previous corresponding period	NIL	NIL
Record date for determining entitlements to the dividend		N/A

EPS	2012 Cents Per Share	2011 Cents Per Share
Basic and diluted earnings per shares	(0.46)	(0.65)
Weighted average number of shares used in the denominator to calculate the earnings per share	427,266,234	350,019,302

Net tangible assets per security	2012 Cents Per Share	2011 Cents Per Share
Net tangible assets per security	0.48	0.58

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Explanation of Revenue and Loss

Cellmid earned total revenues of $171,273 in 2012 up 12.6% from $152,047 in 2011. In 2012 the loss was down 12.9% to $1.97 million compared with the loss for the 2011 year of $2.26 million.

During the reporting period, the group has commenced commercial sales of its évolis hair growth products through its controlled entity Advangen International Pty Ltd. The total of $171,273 revenue includes one month of évolis sales in June 2012. However, these sales only relate to an initial order from one pharmacy banner group.

This report is based on the consolidated financial statements which have been audited by BDO.

Cellmid Limited
Annual Financial Report

ABN 69 111 304 119

for the year ended 30 June 2012

CELLMID LIMITED
Annual Financial Report – 30 June 2012

Contents

Your directors present their report, together with the financial statements of the group, being the company and its controlled entity, for the financial year ended 30 June 2012.

Directors

The following persons were directors of Cellmid Limited during the financial year and up to the date of this report:

Dr David King
Ms Maria Halasz
Mr Robin Beaumont (resigned 27th August 2012)
Mr Graeme Kaufman (appointed 27th August 2012)

Principal Activities and Significant Changes in the Nature of Activities

The principal activities of the group during the financial year were;

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

There have been no significant changes in the nature of the principal activities of the group during the financial year.

Operating Results and Review of Operations for the Year

The consolidated net loss of the group amounted to $1,972,483, after providing for income tax. This represents a 15% decrease on the losses reported for the year ended 30 June 2011 ($2,269,637). Revenue was slightly up to $171,273 for the year ($152,047 in 2011). This amount included the first month revenue from the commercial sales of the évolis® hair growth products, which related to supply to around 100 pharmacies

REVIEW OF OPERATIONS

The group has achieved significant commercial milestones in its OTC (over-the-counter) business and reached a number of product development goals in its midkine portfolio of programs.

OTC business – Commercial launch of évolis hair growth products

Advangen has been set up to develop, manufacture and sell OTC products aimed at the hair growth market as well as to exploit the company's midkine intellectual property for hair growth. As exclusive distributor for a range of FGF-5 inhibitor products globally outside of Japan and China, Advangen prepared a strategic product development and marketing plan to commercialise the range internationally.

The critically important TGA listing of the *évolis® for men* and *évolis® for women* lotions was completed in February 2012. In March 2012 the first batch of Australian GMP manufactured goods were received and a media launch held. The first pharmacy banner group with 157 individual pharmacies agreed to stock the évolis® products in May and ordered the first wholesale supply in June 2012.

A fully operational commercial website for the sale of the évolis® products was launched in April 2012.

The group's patent application for the use of midkine for hair growth has advanced through the provisional phase and is currently under national phase examinations in Australia, USA, Europe, Japan, China, South Korea, UK and Switzerland.

Midkine Business – Progressing with the diagnostic and therapeutic assets

Midkine (MK) Diagnostic Program

MK ELISA

The Group's MK ELISA (midkine blood test) was fully validated and the first batch of GMP manufactured test completed in August 2011. Shortly after, in October 2011, the Group received CE marking of the test kit. The GMP manufactured and CE Marked MK ELISA has since been extensively road tested by scientists in Australia, Japan, USA, Turkey and Germany. Consistent performance of the test in the hands of independent users has been an important step in the commercialisation process. Due to increasing demand for the test on the research market, and due to advancing with several internal programs, a second GMP manufacturing run with 250 fully validated kits was completed in June 2012. Completion of GMP manufacture and CE marking represents a significant milestone in the commercialisation of the group's diagnostic intellectual property assets.

Celera-Quest license update

In March 2012 the Group has received its second annual report from Celera-Quest in relation to its license for the use of midkine as a biomarker for the early detection of lung cancer. The report has not provided specific product launch dates, however it has outlined the significant progress made in the development of Celera-Quest's six marker lung cancer test. Further, the Group was advised that Celera-Quest will be launching the lung cancer test on the market as an LDT (laboratory developed test), utilising the extensive FDA licensed laboratory network that is provided by Quest. This could potentially accelerate the launch of the test.

Projects CK3000 and CS5000

As part of its cancer screening program the Group has continued the **CK3000** Project with the collection of over 450 healthy individual's serum samples. During the period 270 samples have been tested with the GMP manufactured and CE Marked MK-ELISA and the normal reference range study for the Group's internal diagnostic programs was reported in December 2011. The study provided statistically relevant results, however sample collection and testing remains ongoing to underpin the quality of future regulatory submissions. **Project CS5000** commenced in early 2012 with a partnership between the John Hunter Hospital and the Group for the testing of an unspecified number of cancer samples. The collection process of blood samples from patients with prostate cancer has commenced earlier in the period and these samples have been tested as part of a pilot project. The objective of this study was to establish whether prostate cancer patients have elevated blood midkine levels, which was confirmed by using the Group's MK ELISA.

Advances in therapeutic product development

The Group has two therapeutic programs, CAMI103 (heart attack) and CAB101 (antibody both in pre-clinical stage. Critical development milestones have been achieved in the antibody program (CAB101). Successful resolution of the technical challenges relating to the manufacturing of midkine has been the key achievement for the CAMI104 program during the period.

CAB101

This program is aimed to develop anti-midkine antibodies for the treatment of a range of inflammatory and autoimmune diseases. The program reached a critical milestone in October 2011 with the humanisation of the first in class anti-midkine antibody hu91. The antibody engineering was carried out by Antitope Inc in Cambridge, UK. Following humanisation hu91 was tested in a battery of in vitro assays for affinity and biological activity. In vivo animal studies have also commenced to identify the key therapeutic indication for clinical trials.

Several of the Group's antibody patents have been granted during the period including the US applications for the treatment of adhesion and diseases associated with the down-regulation of T-reg cells (regulatory immune cells that modulate immune responses), both using antibodies against midkine.

CAMI103

Under this program the group is developing the midkine protein for the treatment of heart muscle damage following heart attack (AMI). The CAMI103 development program is a series of preclinical studies from Stage 1 to Stage 7. Following the completion of pharmacokinetic studies the Group has spent some time refining the manufacturing process which is necessary before embarking on definitive efficacy studies in large animals.

2ND EXCELLENCE IN MIDKINE RESEARCH CONFERENCE

One of the most important events of the period was the 2nd Excellence in Midkine Research Conference. The Group was the sponsor of the event which provided a scientific forum for close to 70 midkine researchers from twelve countries. Significantly, the conference demonstrated that midkine has become a mainstream interest for researchers in several therapeutic and diagnostic areas. This in turn is likely to provide the Group with commercial product opportunities given its extensive patent portfolio held within the area.

World class midkine research was reported during the conference on the treatment of glioblastoma, prostate cancer and osteoarthritis as well as novel findings on the role of midkine in neurological disorders. The Group has commenced discussions with individual researchers and organisations where collaboration may present a commercial opportunity.

Financial Position

The net assets of the consolidated group are slightly up at $2,089,484 ($2,037,968 as at 30 June 2011). The directors believe that the group is in a stable financial position to expand and grow its current operations.

Significant Changes in the State of Affairs

During the reporting period, the Group has commenced commercial sales of its évolis® hair growth products through its controlled entity Advangen International Pty Ltd. During its first month of commercial sales in June 2012 the Group has received revenue of $47,000 from the supply of approximately 100 pharmacies. Information on Advangen International Pty Ltd is included under the heading “OTC business” above.

Dividends Paid or Recommended

The company has not paid or declared any dividends during the financial year.

Events after the Reporting Period

Subsequent to the closing of the reporting period the Group raised $400,000, increasing its net cash reserves from $1,050,593 to $1,450,593. In addition, the Group has continued with the expansion of its pharmacy distribution as previously advised and is on track to reach the projected 400 pharmacy doors for the first twelve months of operations.

Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information could result in unreasonable prejudice to the consolidated Group.

Environmental Issues

The Group’s operations are not subject to significant environmental regulations under the laws of the Commonwealth and the state.

Board and Audit Committee meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Board meetings		Audit Committee meetings		Remuneration meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Ms Maria Halasz *	7	7	0	4*	0	0
Dr David King	7	7	4	4	1	1
Mr Robin Beaumont	7	7	4	4	1	1
Mr Graeme Kaufman	-	-	-	-	-	-

The Nomination Committee of the board met on several occasions during the financial year on an informal basis.

* Maria Halasz was in attendance by invitation.

Information on Directors

David King	–	Chairman (Non-executive)
Qualifications	–	Fellow of The Australian Institute of Company Directors, Fellow of the Australian Institute of Geoscientists and a PHD in Seismology from the Australian National University.
Experience	–	Experience in high growth companies and a track record in starting business ventures and developing them into attractive investment and/or take-over targets.
Interest in Shares and Options	–	Shares: 22,500,000 indirectly held.
Special Responsibilities	–	A member of the Audit Committee, and Remuneration Committee
Directorships held in other listed entities during the three years prior to the current year	–	Current directorships - Robust Resources Limited, Republic Gold Limited Previous directorship - Gas2Grid Limited and Ausmon Resources Limited and Sapex Limited, Eastern Star Gas Limited.

Maria Halasz	–	Managing Director (Executive)
Qualifications	–	A Graduate of the Australian Institute of Company Directors; BSc degree in microbiology and an MBA.
Experience	–	Over 18 years experience in biotechnology companies; initially working in executive positions in biotechnology firms, then managing investment funds and later holding senor positions in corporate finance specialling in life sciences.
Interest in Shares and Options	–	Shares: 2,725,250 indirectly held. Options: 2,000,000 (Expiry: 16 April 2013, exercisable at 0.05735 each) Directly held. Options: 3,000,000 (Expiry: 03 July 2013, exercisable at 0.05735 each)

		Options: 7,000,000 (Expiry: 17 November 2014, exercisable at 0.056 each) Directly held. Options: 5,000,000 (Expiry: 15 June 2017, exercisable at 0.032 each) Directly held.
Special Responsibilities	–	Managing Director and Chief Executive Officer.
Directorships held in other listed entities during the three years prior to the current year	–	None
Robin Beaumont	–	Director – Non-Executive
Experience	–	Senior strategic adviser and experienced public company director, several years experience in biotechnology companies.
Interest in Shares and Options	–	Shares: 1,875,000 shares indirectly held. Options: 3,971,962 (Expiry: 15 November 2016, exercisable at $0.03 each) Directly held.
Special Responsibilities	–	Chairman of the Audit Committee, and member of the Remuneration Committee.
Directorships held in other listed entities during the three years prior to the current year	–	Evogenix Ltd, Arana Therapeutics Ltd and Select Vaccines Ltd.
Graeme Kaufman	–	Director – Non-Executive
Qualification	–	BSc & MBA with Melbourne University
Experience	–	Over 45 years' experience in biotechnology spanning technical, commercial and financial areas. Having worked for 34 years at CSL Limited, Australia's largest biopharmaceutical company, he held senior positions including Production Director, General Manager Finance and General Manager Biosciences.
Interest in Shares and Options	–	Options: 1,000,000 (Expiry: 1 June 2014, exercisable at $0.05 each) Directly held.
Special Responsibilities	–	Member of the Audit Committee, and member of the Remuneration Committee.
Directorships held in other listed entities during the three years prior to the current year	–	Nil

Remuneration report

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

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation
E. Additional information

A. Principles used to determine the nature and amount of remuneration

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

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

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

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

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

Each non-executive director receives a fixed fee for being a director of the group.

The constitution and the ASX listing Rules specify that the maximum aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. At the general meeting of shareholders in 2005, the maximum amount set at $300,000 per annum. In 2012, the group paid non-executive directors a total of $143,349 (2011: ($153,751).

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

Executive remuneration

Objective

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

reward executives for group and individual performance against targets set by reference to appropriate benchmarks

align the interests of executives with those of shareholders

ensure total remuneration is competitive by market standards.

Structure

A policy of the Board is the establishment of employment or consulting contracts with the CEO and other senior executives at the time of this report this included the CEO.

Remuneration consists of fixed remuneration under an employment or consultancy agreement and long term equity-based incentives that are subject to satisfaction of performance conditions. The equity-based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of group-wide and individual performance, relevant comparative remuneration in the market, and internal and (where appropriate) external advice on policies and practices.

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

Remuneration policy and performance

Other than the CEO, Ms Halasz, none of the Director's remuneration is 'at risk' remuneration. Refer page 8 for further information on Ms Halasz's remuneration.

B. Details of remuneration (audited)

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

2012

	Short-term benefits			Post employment Benefits		Share-based payment	
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Superannuation**	**Retirement benefits**	**Options**	**Total**
Non-executive directors							
David King (Chairman)	65,000	-	-	5,850	-	-	70,850
Robin Beaumont	30,000	-	-	-	-	42,499	72,499
Total non-executive directors	**95,000**	**-**	**-**	**5,850**	**-**	**42,499**	**143,349**
Executive directors and key Management							
Maria Halasz	400,000	-	-	36,000	-	30,500	466,500
Nicholas Falzon 1	-	-	-	-	-	-	-
Total Executive directors and key Management	**400,000**	**-**	**-**	**36,000**	**-**	**30,500**	**466,500**
Total	**495,000**	**-**	**-**	**41,850**	**-**	**72,999**	**609,849**

1. Nicholas Falzon, company secretary, was appointed on 6 October 2010, is a partner of Lawler Partners Pty Ltd who provides accounting and company secretarial services to Cellmid Limited. The contract is based on normal commercial terms. A total of $75,250 (2011 $52,300) was received by Lawler Partners Pty Limited in relation to this contract for the year.

2011

	Short-term benefits			Post employment Benefits		Share-based payment	
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Superannuation**	**Retirement benefits**	**Options**	**Total**
Non-executive directors							
David King (Chairman)	65,000	-	-	5,850	-	-	70,850
Robin Beaumont[5]	30,000	-	-	-	-	-	30,000
Koichiro Koike [1]	52,901	-	-	-	-	-	52,901
Total non-executive directors	**147,001**	-	-	**5,850**	-	-	**153,751**
Executive directors and key Management							
Maria Halasz	358,333	-	-	32,250	-	-	390,583
Nicholas Falzon [2]	-	-	-	-	-	-	-
Andrew Bursill [3]	-	-	-	-	-	-	-
Total Executive directors and key Management	**358,333**	-	-	**32,250**	-	-	**390,583**
Total	**505,334**	-	-	**38,100**	-	-	**544,334**

1. Koichiro Koike resigned on December 2010. The remuneration as a director was paid up to the serviced period.
2. Nicholas Falzon, company secretary, was appointed on 6 October 2010, is the partner of Lawler Partners Pty Ltd who provides accounting and company secretarial services to Cellmid Limited. The contract is based on normal commercial terms. A total of $52,300 (2010 $nil) was received by Lawler Partners Pty Limited in relation to this contract for the year.
3. Andrew Bursill, former company secretary, resigned on 5 October 2010. A total of $22,428 (2010 $65,549) in cash was received by Franks & Associates in relation to this contract for the year.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk STI		At risk LTI	
	2012	2011	2012	2011	2012	2011
Directors						
David King	100%	100%	-	-	-	-
Maria Halasz	96%	100%	-	-	4%	-
Robin Beaumont	41%	100%	-	-	59%	-
Other company and group executives						
Nicholas Falzon	100%	100%	-	-	-	-
Andrew Bursill	N/A	100%	-	-	-	-

C. Service agreements (audited)

The CEO, Maria Halasz, is an employee of the group under an agreement signed on 21 September 2007. Under the terms of the present contact:

- Ms Halasz may resign from her position and thus terminate this contract by giving six months' written notice. On resignation any unvested options will be forfeited.
- The group may terminate the employment agreement by providing six months' written notice or providing payment in lieu of the notice period (based on the fixed component of Ms Halasz's remuneration).
- The group may terminate the contract at any time without notice if serious misconduct has occurred.. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause, any unvested options will immediately be forfeited.
- Ms Halasz's employment agreement sets out certain performance incentives that are payable subject to achievement of performance milestones. The number of performance shares or options awarded is at the discretion of the Board and subject to shareholders’ approval.

D. Share-based compensation

Options

2012

	Options Granted in 2012	Value of options at grant date	Options Vested In 2012	Value of options expensed in 2012	Proportion of Remuneration
				$	%
Maria Halasz	5,000,000	20,500	5,000,000	20,500	4%
Robin Beaumont	3,971,962	42,499	3,971,962	42,499	59%
Total	8,971,962	62,999	8,971,962	62,999	11%

The issuance of options to Directors, Executives and Key Management Personnel was approved by shareholders at the Annual General Meeting on 25 November 2011.

These options were granted for no consideration. The options are convertible to one ordinary share each of the Company.

Options granted carry no dividend or voting rights. Where exercised, each option will convert into one ordinary share of the Company.

The Executive options for Ms Halasz were granted at the date of approval being at the Annual General Meeting held on 25 November 2011.

The assessed fair value at grant date of options granted is allocated over the period from grant date to vesting date. The amounts are included in the tables in Sections B and D above. Fair values at grant date are determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option.

The model inputs for options granted to Maria Halasz included:

- Options are granted for no consideration
- exercise price: $0.032
- grant date: 20 June 2012
- expiry date: 15 June 2017
- share price at grant date: $0.02
- share price volatility of the Company's shares: 38%
- expected dividend yield: nil%
- risk-free interest rate: 6%

The Executive options for Mr Beaumont were granted at the date of approval being at the Annual General Meeting held on 25 November 2011.

The assessed fair value at grant date of options granted is allocated over the period from grant date to vesting date. The amounts are included in the tables in Section B and D above. Fair values at grant date are determined using a binomial option pricing model that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option.

The model inputs for the options granted to Robin Beaumont included:

- options are granted for no consideration
- exercise price: $0.03
- grant date: 15 November 2011
- expiry date: 15 November 2016
- share price at grant date: $0.02
- expected price volatility of the Company's shares: 38%
- expected dividend yield: nil%
- risk-free interest rate: 6%

None of the director or executive options granted as share-based compensation were exercised during the period.

No options have been granted since the end of the financial year.

Loan to directors and executives

There were no loans to directors or executives during or since the end of the year.

Shares under option

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

	Expiry Date	Issue Price	Number under option
Unlisted options	15 June 2013	$0.06	5,000,000
Unlisted options	01 June 2014	$0.05	8,250,000
Unlisted options	01 July 2014	$0.022	5,002,006
Unlisted options	17 November 2014	$0.0283	7,000,000
Unlisted options	17 November 2014	$0.0285	2,000,000
Unlisted options	19 February 2015	$0.028	600,000
Unlisted options	15 December 2015	$0.10	100,000
Unlisted options	15 November 2016	$0.0107	3,971,962
Unlisted options	15 June 2017	$0.041	5,000,000
Total			**36,923,968**

Shares issued on the exercise of options

No shares were issued over options during the income year ended 30 June 2012 (2011: 750,000).

No amounts are unpaid on any of the shares for the 2012 income year (2011:$nil).

6,599,995 options were lapsed during the income year ended 30 June 2012 (2011: nil)

2011

No options were granted to the directors for the year ended 30 June 2011.

Board and Audit Committee meeting

During the financial year, the group paid a premium to insure the directors and officers of the group.

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

Indemnifying Officers or Auditor

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

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

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

There is no indemnity cover over the Auditor during the financial year.

Proceedings on behalf of the group

During the reporting period the Group completed proceedings against the Japanese Patent Office in the High Court of Japan in relation to the challenge of the ruling on registration of one of its patents. The matter concluded in favour of the Japanese Patent Office. This had no material consequences for the Group as did not include a financial ruling.

Non-audit services

The group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group and/or the group are important.

Details of the amounts paid or payable to the auditor, BDO (formerly PKF) for audit and non-audit services provided during the year are set out below.

		Consolidated group	
		2012	2011
		$	$
–	auditing or reviewing the financial statement		
	BDO (formerly PKF)	**45,000**	30,500
–	taxation services	**-**	-
–	due diligence services	**-**	-
–	taxation services provided by related practice of auditor	**-**	-
		45,000	30,500

Rounding off of amounts

The Company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to a dollar, unless otherwise indicated.

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 15 for the half-year report ended 30 June 2012.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the directors

Director

Dr David King

Sydney

Dated this day of 30 August 2012

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DECLARATION OF INDEPENDENCE BY BRUCE GORDON TO THE DIRECTORS OF CELLMID LIMITED

As lead auditor of Cellmid Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

1) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2) any applicable code of professional conduct in relation to the audit.

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

Bruce Gordon
Partner

BDO East Coast Partnership

Sydney, 30 August 2012

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the recommendations of the ASX Corporate Governance Council (including 2010 amendments) have been applied for the entire financial year ended 30 June 2012.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report

The names of independent directors that have served on the Board of the company during the period are:

- David King
- Robin Beaumont (Resigned on 27 August 2012)
- Graeme Kaufman (Appointed on 27 August 2012)

When determining whether a non-executive director is independent, the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the company.

The names of the members of the nomination committee and their attendance at meetings of the committee are detailed in the directors' report.

Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the code of conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

The Board believes that the company benefits from this diversity.

Trading Policy

The company's policy regarding directors and employees trading in its securities, is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit Committee

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.

Performance Evaluation

An annual performance evaluation of the Board has not been made during the year.

Board Roles and Responsibilities

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Board sought external guidance to assist the drafting of its "Board Governance Document" which has been made publicly available on the company's website. This document details the adopted practices and processes in relation to matters reserved for the Board's consideration and decision-making and specifies the level of authorisation provided to other key management personnel. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Cellmid Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly.

Remuneration Policies

The company's remuneration committee comprises of the following non-executive directors:

- o David King (Chair, independent);
- o Robin Beaumont (independent, resigned on 27 August 2012);

The remuneration policy, which sets the terms and conditions for the key management personnel, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. 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. The performance of executives is measured against criteria agreed half yearly which is based on the forecast growth of the company's profits and shareholders' value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives are also entitled to participate in the employee share and option arrangements.

The amount of remuneration for all key management personnel for the company and the five highest paid executives, including all monetary and non-monetary components, are detailed in the directors' report under the heading key management personnel compensation. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the consolidated group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Remuneration Committee

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

CELLMID LIMITED ABN 69 111 304 119
Annual financial report – 30 June 2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		$	$
Revenue	3	**132,826**	29,106
Other revenue	3	**38,447**	122,941
Cost of sales		**(33,157)**	(6,961)
Consultancy expense		**(300,122)**	(229,760)
Communication expense		**(38,339)**	(50,570)
Depreciation and amortisation expense		**(11,419)**	(10,256)
Directors remuneration		**(108,350)**	(154,208)
Employee benefits expense		**(873,947)**	(710,962)
Finance costs		**(39,714)**	(10,836)
Gain/(Loss) on foreign exchange		**49,237**	(43,722)
Reclassification of impairment loss on available for sale asset	20	**(7,090)**	-
Occupancy		**(95,864)**	(87,789)
Professional fees		**(164,721)**	(76,362)
Research and development expense		**(599,047)**	(925,137)
Share-based compensation		**(228,999)**	(172,000)
Subscriptions		**(88,018)**	(70,347)
Travel		**(155,674)**	(107,503)
Other expenses		**(185,052)**	(221,830)
Loss before income tax	4	**(2,709,003)**	(2,726,196)
Income tax benefit	5	**736,520**	456,559
Loss for the year		**(1,972,483)**	(2,269,637)
Other comprehensive income:			
Net gain/(loss) on remeasurement of financial assets available for sale	20a	-	6,227
Total comprehensive loss for the year		**(1,972,483)**	(2,263,410)
Net loss attributable to			
Owners of Cellmid Limited		**(1,970,360)**	(2,269,637)
Non-controlling interests		**(2,123)**	-
		(1,972,483)	(2,269,637)

The above statement of Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		$	$
Earnings per share for loss attributable to the ordinary equity holders of the Company		**Cents**	Cents
Basic earnings per share (cents)	8	**(0.46)**	(0.65)
Diluted earnings per share (cents)	8	**(0.46)**	(0.65)

The above statement of Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**1,050,593**	1,592,508
Trade and other receivables	10	**71,168**	27,603
Inventories	11	**1,289,237**	1,097,182
Other assets	15	**30,638**	31,255
TOTAL CURRENT ASSETS		**2,441,636**	2,748,548
NON-CURRENT ASSETS			
Other financial assets	12	**42,910**	60,120
Plant and equipment	13	**32,276**	11,764
Intangible assets	14	**1,440**	1,440
TOTAL NON-CURRENT ASSETS		**76,626**	73,324
TOTAL ASSETS		**2,518,262**	2,821,872
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**258,577**	133,705
Borrowings	17	**-**	556,835
Provisions	18	**135,448**	93,364
TOTAL CURRENT LIABILITIES		**394,025**	783,904
NON-CURRENT LIABILITIES			
Provisions	18	**34,753**	-
TOTAL NON-CURRENT LIABILITIES		**34,753**	-
TOTAL LIABILITIES		**428,778**	783,904
NET ASSETS		**2,089,484**	2,037,968
EQUITY			
Contributed equity	19	**20,799,832**	18,838,712
Reserves	20	**1,746,085**	1,670,351
Accumulated losses	20	**(20,441,455)**	(18,471,095)
Capital and reserves attributable to owners of Cellmid Limited		**2,104,462**	2,037,968
Non-controlling interest		**(14,978)**	-
TOTAL EQUITY		**2,089,484**	2,037,968

This statement of financial position should be read in conjunction with the accompanying notes.

CELLMID LIMITED

and Controlled Entity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group		Attributable to owners of Cellmid Limited							
		Share Capital							
	Note	Issued Capital	Share Based Payments Reserve	General Reserve	Available for Sale Reserve	Accumulated Losses	Total	Non-controlling interest	Total equity
		$	$	$	$	$	$	$	$
Balance at 1 July 2010		17,386,273	1,660,231	-	3,893	(16,201,458)	2,848,939	-	2,848,939
Profit for the year as reported in the 2011 financial statements		-	-	-	-	(2,269,637)	(2,269,637)	-	(2,269,637)
Other comprehensive income		-	-	-	6,227	-	6,227	-	6,227
Total comprehensive income for the year		**-**	**-**	**-**	**6,227**	**(2,269,637)**	**(2,263,410)**	**-**	**(2,263,410)**
Transactions with equity holders:									
Contributions of equity		1,280,439	-	-	-	-	1,280,439	-	1,280,439
Share based compensation		172,000	-	-	-	-	172,000	-	172,000
Total		**1,452,439**	**-**	**-**	**6,227**	**(2,269,637)**	**(810,971)**	**-**	**(810,971)**
Balance at 30 June 2011	19 &20	**18,838,712**	**1,660,231**	**-**	**10,120**	**(18,471,095)**	**2,037,968**	**-**	**2,037,968**
Balance at 1 July 2011		**18,838,712**	**1,660,231**	**-**	**10,120**	**(18,471,095)**	**2,037,968**	**-**	**2,037,968**
Profit for the year as reported in the 2012 financial statements		-	-	-	-	(1,970,360)	(1,970,360)	(2,123)	(1,972,483)
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(1,970,360)**	**(1,970,360)**	**(2,123)**	**(1,972,483)**
Transactions with equity holders:									
Contributions of equity		1,805,120	-	(11,005)	-	-	1,794,115	21,005	1,815,120
Share based compensation		156,000		-	-	-	156,000	-	156,000
Movement in share based payment reserve		-	62,999	-	-	-	62,999	-	62,999
Movement in available for sale reserve		-	-	-	(10,120)	-	(10,120)	-	(10,120)
Net movement as a result of shares issued to minority interest		**-**	**-**	**33,860**	**-**	**-**	**33,860**	**(33,860)**	**-**
Total		**1,961,120**	**62,999**	**22,855**	**(10,120)**	**(1,970,360)**	**66,494**	**(14,978)**	**51,516**
Balance at 30 June 2012	19 &20	**20,799,832**	**1,723,230**	**22,855**	**-**	**(20,441,455)**	**2,104,462**	**(14,978)**	**2,089,484**

This statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
			$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**116,225**	50,724
Payments to suppliers and employees		**(1,977,623)**	(2,008,420)
Research and development expenses		**(599,047)**	(925,137)
Interest received		**5,370**	50,813
Income tax benefit		**736,520**	456,559
Other grant income		**-**	57,574
Finance costs		**(39,714)**	(10,836)
Net cash used in operating activities	21	**(1,758,269)**	(2,328,723)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**-**	(1,440)
Purchase of non-current assets		**(31,931)**	(7,788)
Net cash used in investing activities		**(31,931)**	(9,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**1,805,120**	1,280,439
Proceeds from borrowings		**-**	556,835
Repayment of borrowings		**(556,835)**	-
Net cash provided by financing activities		**1,248,285**	1,837,274
Net increase (decrease) in cash held		**(541,915)**	(500,677)
Cash and cash equivalents at beginning of financial year	9	**1,592,508**	2,093,185
Cash and cash equivalents at end of financial year	9	**1,050,593**	1,592,508

This statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

These consolidated financial statements and notes represent those of Cellmid Limited and its Controlled Entity (the “consolidated group” or “group”).

The separate financial statements of the parent entity, Cellmid Limited, have been presented in note 2 within this financial report.

The financial statements were authorised for issue on 30th August 2012 by the directors of Cellmid Limited.

NOTE 1: SUMMARY 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, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for-profit oriented entities.

The financial statements comprise the consolidated financial statements of the group.

The financial statements were authorised for issue by the directors on 30 August 2012.

Basis of Preparation

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

The preparation of financial statements in conformity with AIFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 22.

Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Based on anticipated levels of operational cash flow requirements, the Consolidated Entity has sufficient cash to fund current operations for more than one year.

a. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Cellmid Limited at the end of the reporting period. A controlled entity is any entity over which Cellmid Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

b. **Segment reporting**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c. **Revenue and Other Income Recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Government grants are recognised in profit and loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate, but not before the receipt of the grant is relatively certain.

d. **Income Tax**

The income tax expense (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

e. **Cash and Cash Equivalents**

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

f. **Receivable**

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income.

g. **Inventories**

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

h. **Fixtures and Equipment**

Fixtures and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture and fittings	20%
Office equipment	6.7–33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Investments and other financial assets

The group classified its investments in the following categories: loans and receivables and available for sale financial assets.

The classification depends on the nature and purpose of the investment and is determined at the time of initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

Loan and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) *Available-for-sale financial assets*

Listed shares and listed redeemable notes held by the group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit and loss.

The fair value of available-for-sale assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit and loss are determined based on the amortised cost of the monetary asset. Other foreign gains and losses are recognised in other comprehensive income.

j. Intangibles Other than Goodwill

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. The group has not yet determined the useful life of the intangible asset due to the uncertainties of the future benefit derived from the intangible asset. There is no amortisation charge to the intangible assets in the 2012 financial Year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Research and development

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

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

k. **Impairment of Assets**

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

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

l. **Trade and other payables**

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

m. **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

n. **Financial Instruments**

The convertible notes issued by the company are treated as a financial liability, without an equity component. They are treated in this manner because; they have multiple settlement alternatives not all of which involve the exchange of equity, the number of shares to be issued is unknown at the time of issue and the conversion is at the option of the note holder not the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

o. **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.

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

p. **Employee Benefits**

Provision is made for the group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within the income year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months of the reporting date have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements.

Wages and salaries, annual leave and sick leave

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

Long service leave

Liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service

Retirement benefit obligations

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

Share-based payments

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

q. **Equity-settled compensation**

The group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the binominal pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

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

r. **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.

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 year-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 recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

s. **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 Taxation Office (ATO).

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

u. **Comparative Figures**

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

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

v. **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 statements and directors' report have been rounded off to the nearest $1.

w. **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the group has decided not to early adopt. A discussion of those future requirements as they apply to the group and their impact on the group is as follows:

– ***AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).***

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments. The group has not yet determined any potential impact on the financial statements.

However, initial indications are that it may affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised $7,090 of impairment loss in the statement of comprehensive income. The group has not yet decided when to adopt AASB 9.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

– ***AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements***

This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.

– ***AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]***

The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 Investment Property. Under AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in AASB 140.

To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Interpretation 121 Income Taxes – Recovery of Re-valued Non-Depreciable Assets addresses similar issues involving non-depreciable assets measured using the revaluation model in AASB 116 Property, Plant and Equipment. The amendments incorporate Interpretation 121 into AASB 112 after excluding investment property measured at fair value from the scope of the guidance previously contained in Interpretation 121.

– ***AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]***

This Standard makes amendments to Australian Accounting Standard AASB 124 Related Party Disclosures.

These amendments arise from a decision of the AASB to remove the individual key management personnel (KMP) disclosures from AASB 124 on the basis they:

- are not part of International Financial Reporting Standards (IFRSs), which include requirements to disclose aggregate (rather than individual) amounts of KMP compensation;
- are not included in New Zealand accounting standards and, accordingly, their removal is consistent with meeting the 2010 Outcome Proposal of the Australian and New Zealand governments that for-profit entities are able to use a single set of accounting standards and prepare only one set of financial statements;
- are considered by the AASB to be more in the nature of governance disclosures that are better dealt with as part of the Corporations Act 2001;
- were originally included in AASB 124 when fewer similar disclosure requirements were included in the Corporations Act and, in many respects, relate to similar disclosure requirements currently in that Act and therefore detract from the clarity of the requirements applying in this area; and
- could be considered (during the transition period for this Amending Standard) for inclusion in the Corporations Act or other legislation to the extent they presently go beyond the requirements in legislation and are considered appropriate in light of government policy.

NOTE 2: PARENT INFORMATION

	2012 **$**	2011 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.		
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**2,719,856**	2,912,584
TOTAL ASSETS	**2,794,729**	2,983,845
LIABILITIES		
Current liabilities	**(380,914)**	(776,202)
TOTAL LIABILITIES	**(415,667)**	(776,202)
EQUITY		
Issued capital	**20,799,832**	18,838,712
Accumulated losses	**(20,144,000)**	(18,301,420)
Share Based Payment Reserve	**1,723,230**	1,660,231
Available for sale asset reserve	**-**	10,120
TOTAL EQUITY	**2,379,062**	2,207,643
STATEMENT OF COMPREHENSIVE INCOME		
Loss of the parent entity	**(1,842,581)**	(2,093,792)
Total comprehensive loss	**(1,842,581)**	(2,093,792)

NOTE 3: REVENUE AND OTHER REVENUE

	Consolidated Group	
	2012	2011
	$	**$**
Revenue from continuing operations		
Sales revenue:		
– sale of goods	**132,826**	29,106
	132,826	29,106
Other revenue:		
– interest received	**5,370**	50,813
– government grants received	**-**	57,574
– rental revenue	**24,000**	12,000
– royalties	**704**	242
– other revenue	**8,373**	2,312
	38,447	122,941
Total revenue	**171,273**	152,047

NOTE 4: PROFIT/(LOSS) FOR THE YEAR

	Consolidated Group	
	2012	2011
	$	$
Loss before income tax from continuing operations includes the following specific expenses:	**(2,709,003)**	(2,726,196)
Cost of sales	**(33,157)**	(6,961)
Finance cost	**(39,714)**	(10,836)
Employee benefits expense	**(810,563)**	(641,729)
Defined contribution superannuation expenses	**(63,384)**	(69,233)
Foreign currency translation gain/(losses)	**49,237**	(43,722)
Rental expense on operating leases:		
– minimum lease payments	**(91,176)**	(87,789)
Depreciation and amortisation		
– Plant and equipment	**(11,419)**	(10,256)
Research and development expense	**(599,047)**	(925,137)

NOTE 5: INCOME TAX EXPENSE

		Note	Consolidated Group	
			2012	2011
			$	$
a.	**The components of tax expense comprise:**			
	Income tax benefit		**736,520**	456,559
			736,520	456,559
b.	**Numerical reconciliation of income tax expenses to**			
	– Loss before income tax expenses		**(2,709,003)**	(2,726,196)
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)		**(812,701)**	(817,859)
	Add:			
	Tax effect of:			
	– Research and development expenditure		**523,910**	401,259
	– Share based payment		**68,700**	51,600
	– Deduction on un-deducted R&D core technology expenditure		**(190,438)**	-
	– Impairment loss on asset revaluation		**2,127**	-
	– Sundry items		**13,313**	10,184
			417,612	463,043
	Adjusted income tax		**(395,089)**	(354,816)
	Tax losses not brought to account		**395,089**	354,816
	Research and development tax benefit		**736,520**	456,559
	Income tax benefit		**736,520**	456,559

A $736,520 (2011 $456,559) research and development tax offset was received for a claim in accordance with the Commonwealth Government's Research and Development Tax Concession initiatives where the consolidated group's expenditure on research and development is below $1million and revenue is less than $5 million.

NOTE 5: INCOME TAX EXPENSE (CONTINUED)

		Note	Consolidated Group	
			2012 **$**	2011 $
c.	**Tax losses**			
	Carried forward unused tax losses		10,536,355	9,343,378
	Current unused tax losses for which no deferred tax asset has been recognised		1,316,962	1,192,977
	Total		11,853,317	10,536,355
	Potential future tax benefit at notional tax rate 30%		3,555,995	3,160,907

All unused tax losses were incurred by Australian entities.

This income tax benefit arose from losses will only be obtained if:

i. The group derives future assessable income of a nature and of an amount sufficient to enable to benefit from the deductions for the losses to be realised;

ii. The group continues to comply with the conditions for deductibility imposed by tax legislation; and

iii. No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

d. Tax consolidation legislation

As Advangen International Pty Ltd ceased to be a wholly owned subsidiary of Cellmid Limited during the year, it ceased to be part of the tax consolidated group from that date.

NOTE 6: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

a. Directors

The following persons were directors of Cellmid Limited during the financial year:

David King (Chairman)
- appointed from 18 January 2008 to current

Ms Maria Halasz (Chief Executive Officer)
- appointed from 16 April 2007 to current

Mr Robin Beaumont (Non executive)
- appointed from 12 October 2009 to 27 August 2012

b. Directors and key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2012.

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

	2012	2011
	$	$
Short-term employee benefits	**495,000**	506,234
Post-employment benefits	**41,850**	38,100
Share-based payments	**72,999**	-
	609,849	544,334

c. Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration, together with terms and conditions of the options, can be found in note 19.

NOTE 6: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

(i) KMP Options Holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Cellmid Limited and other key management personnel of the group, including their personally related parties, are set out as table below.

30 June 2012	Balance at Beginning of the Year	Granted as remuneration during the Year	Exercised during the Year	Other Changes during the Year	Balance at end of Year	Vested and Exercisable at the end of the Year
Directors of Cellmid Limited						
M Halasz	12,000,000	5,000,000	-	-	-	17,000,000
D King	-	-	-	-	-	-
R Beaumont	-	3,971,962	-	-	-	3,971,962
Other key management personnel						
N Falzon	-	-	-	-	-	-

30 June 2011	Balance at Beginning of the Year	Granted as remuneration during the Year	Exercised during the Year	Other Changes during the Year	Balance at end of Year	Vested and Exercisable at the end of the Year
Directors of Cellmid Limited						
M Halasz	12,000,000	-	-	-	-	12,000,000
D King	-	-	-	-	-	-
K Koike **	2,000,000	-	-	-	-	2,000,000
R Beaumont	-	-	-	-	-	-
Other key management personnel						
N Falzon	-	-	-	-	-	-

***Mr. Ko Koike resigned from the board in December 2010 and has remained as a consultant since then.*

NOTE 6: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

(ii) KMP Shareholdings

The numbers of shares in the Company held during the financial year by each director and key management personnel of Cellmid Limited, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

30 June 2012	Balance at Beginning of the Year	Received during the Year on the exercise of options	Other Changes during the Year	Balance at the end of the Year
Directors of Cellmid Limited				
M Halasz	1,365,000		1,360,250	2,725,250
D King	13,476,669		9,023,331	22,500,000
R Beaumont	700,000		1,175,000	1,875,000
Other key management personnel				
N Falzon	-			

Maria Halasz owns 2,725,250 shares indirectly.
David King owns 22,500,000 shares indirectly.
Robin Beaumont owns 1,875,000 shares indirectly.

30 June 2011	Balance at Beginning of the Year	Received during the Year on the exercise of options	Other Changes during the Year	Balance at the end of the Year
Directors of Cellmid Limited				
M Halasz	1,046,250	-	318,750	1,365,000
D King	10,010,000	-	3,466,669	13,476,669
K Koike **	-	-	-	-
R Beaumont	400,000	-	300,000	700,000
Other key management personnel				
N Falzon	-	-	-	-

Maria Halasz owns 1,365,000 shares indirectly.
David King owns 13,476,669 shares indirectly.
Robin Beaumont owns 700,000 shares indirectly.

***Mr. Ko Koike resigned from the board in December 2010 and has remained as a consultant since then.*

(iii) Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

The Chief executive officer is employed under an employment service contract.

NOTE 7: AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and a non-related audit firm:

		Consolidated Group	
		2012	2011
		$	$
–	auditing or reviewing the financial statement		
	BDO	**45,000**	30,500
–	taxation services provided by related practice of auditor	**-**	-

NOTE 8: EARNINGS PER SHARE

		Consolidated Group	
		2012	2011
		$	$
a.	**Basic and diluted earnings per share:**		
	Earnings used in the calculation of dilutive EPS	**(0.46)**	(0.65)
b.	**Loss used in calculating basic and diluted earnings per share:**		
	Loss	**(1,972,483)**	(2,269,637)
c.	**Weighted average number of shares used as the denominator**		
		No.	No.
	Weighted average number of ordinary shares used in calculating dilutive EPS	**427,266,234**	350,019,302

d. Information concerning the classification of securities.

Options

Options granted to executives and directors are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. In the year ended 30 June 2012, these options were in fact anti-dilutive, and consequently diluted EPS is the same as basic EPS. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note19.

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2012	2011
	$	$
Cash at bank and in hand	**1,050,593**	1,592,508
	1,050,593	1,592,508

The effective interest rate on short-term bank deposits was 3.5-4.5% (2011: 4-4.5%); these deposits were all on call.

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:

Cash and cash equivalents	**1,050,593**	1,592,508
	1,050,593	1,592,508

NOTE 10: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2012	2011
	$	$
Trade receivables	**52,791**	3,112
Other receivables	**18,377**	24,491
Total current trade and other receivables	**71,168**	27,603

Effective interest rates and credit risk

The group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 10. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the group.

There is no interest rate risk for the balances of Trade and other receivables.

There is no material credit risk associated with other receivables.

No receivables are past due or impaired.

NOTE 11: INVENTORIES

	Consolidated Group	
	2012	2011
	$	$
Inventory at lower of cost and net realisable value	**1,289,237**	1,097,182
Total inventories	**1,289,237**	1,097,182

NOTE 12: OTHER FINANCIAL ASSETS

	Consolidated Group	
	2012	2011
	$	$
Available-for-sale financial assets	**42,910**	60,120
Total non-current financial assets	**42,910**	60,120

Available-for-sale financial assets		
Listed investments, at fair value:		
– shares in listed corporations	**42,910**	60,120
Total available-for-sale financial assets	**42,910**	60,120

NOTE 13: PLANT AND EQUIPMENT

	Consolidated Group	
	2012	2011
	$	$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	**129,759**	97,828
Accumulated depreciation	**(97,483)**	(86,064)
Total plant and equipment	**32,276**	11,764

Movements in Carrying Amounts

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

	Plant and Equipment	Total
	$	**$**
Consolidated Group		
Balance at 1 July 2010	**14,232**	14,232
Additions	**7,788**	7,788
Disposals	**-**	-
Depreciation expense	**(10,256)**	(10,256)
Balance at 30 June 2011	**11,764**	11,764
Additions	**31,931**	31,931
Disposals	**-**	-
Depreciation expense	**(11,419)**	(11,419)
Balance at 30 June 2012	**32,276**	32,276

NOTE 14: INTANGIBLE ASSETS

	Trademarks & Licences $
Consolidated Group:	
Balance at the beginning/end of 30 June 2010	1,440
Closing value at 30 June 2012	**1,440**

Intangible assets, other than goodwill, have finite useful lives. The group has not yet determined the useful life of the intangible asset.

There is no amortisation charge to the intangible assets in the 2012 financial year.

NOTE 15: OTHER ASSETS

	Consolidated Group	
	2012 **$**	2011 $
Prepayments	**30,638**	31,255
Total other assets	**30,638**	31,255

NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2012 **$**	2011 $
Unsecured liabilities:		
Trade payables	**112,702**	1,471
Sundry payables and accrued expenses	**145,875**	132,234
Total trade and other payables	**258,577**	133,705

NOTE 17: BORROWINGS

	Consolidated Group	
	2012	2011
	$	$
Convertible notes	**-**	556,835
	-	556,835

Convertible notes

Each loan has a repayment term of 5 years. The conversion price is the lesser of the price calculated as a 20% discount to the three lowest daily volume weighted average sales prices of the Company's shares during the 21 days before conversion or AU$0.09 (for notes issued in the first 12 months) and AU$0.15 (for notes issued afterwards).

Conversion will generally be at the note holders' option except in the event that on the conversion date the Company's shares trade below a floor price of AU$0.025. In this instance Cellmid may elect to repay the face value of the Note plus a 5% premium.

Interest expenses on convertible note is calculated by applying the effective interest rate of 4.75% (2011 4.75%) to the liability component. The loans were fully repaid during the 2012 income year.

NOTE 18: PROVISIONS

	Employee Benefits	
	Annual Leave $	**Long Service Leave $**
Consolidated Group		
Opening balance at 1 July 2011	93,364	-
Additional provisions	42,084	34,753
Balance at 30 June 2012	**135,448**	**34,753**

Analysis of total provisions

	Consolidated Group	
	2012	2011
	$	$
Current	**135,448**	93,364
Non-current	**34,753**	-
	170,201	93,364

Provision for Employee Benefits

A provision has been recognised for employee entitlements relating to annual leave and long service leave.

NOTE 19: CONTRIBUTED EQUITY

		Note	Consolidated Group			
			2012	2011	**2012**	2011
			No.	No.	**$**	$
a.	**Share Capital**					
	At the beginning of the year		**392,634,129**	325,781,294	**18,780,723**	17,328,284
	Shares issued during the year		**128,208,988**	66,852,835	**1,961,121**	1,452,439
	At the end of the year	19.c	**520,843,117**	392,634,129	**20,741,843**	18,780,723
b.	**Options**					
	Balance at the beginning of the year		**34,552,001**	35,202,001	**57,989**	57,989
	Listed		**-**	-	**-**	
	Other		**(6,599,995)**	(650,000)	**-**	-
	Directors		**3,971,962**	-	**-**	-
	Executives		**5,000,000**	-	**-**	-
	At the end of the year	19.d	**36,923,968**	34,552,001	**57,989**	57,989
	Total contributed equity				**20,799,832**	18,838,712

NOTE 19: CONTRIBUTED EQUITY (CONTINUED)

c. Movement in ordinary share capital

		Consolidated Group		
		Number of shares	Issued price	$
Date	Details			
	Opening balance 1 July 2010	**325,781,294**		**17,328,284**
05 Jul 2010	Share issue	800,000	0.020	16,000
15 Nov 2010	Share issue	3,466,669	0.025	86,667
16 Nov 2010	Exercise of converting note options	12,756,526	0.015	197,726
15 Dec 2010	Exercise of options	750,000	0.030	22,500
10 Jan 2011	Exercise of converting note options	8,130,081	0.025	200,000
01 Feb 2011	Exercise of converting note options	8,130,081	0.024	198,546
01 Apr 2011	Exercise of converting note options	5,000,000	0.020	100,000
13 Apr 2011	Share issue	4,000,000	0.039	156,000
14 Apr 2011	Exercise of converting note options	14,473,684	0.019	275,000
09 Jun 2011	Exercise of converting note options	9,345,794	0.021	200,000
	Closing balance 30 June 2011	**392,634,129**		**18,780,723**
	Opening balance 1 July 2011	**392,634,129**		**18,780,723**
04 Oct 2011	Share issue	4,000,000	0.039	156,000
02 Dec 2011	Share issue	23,560,944	0.017	400,708
13 Dec 2011	Share issue	4,411,765	0.016	71,250
13 Jan 2012	Exercise of converting note options	1,666,667	0.012	20,000
24 Jan 2012	Share issue	22,500	-	-
17 Feb 2012	Exercise of converting note options	1,442,309	0.0104	15,000
20 Feb 2012	Exercise of converting note options	2,083,333	0.0096	20,000
27 Feb 2012	Exercise of converting note options	3,191,489	0.0094	30,000
02 Mar 2012	Exercise of converting note options	3,191,489	0.0094	30,000
16 Mar 2012	Exercise of converting note options	1,595,745	0.0094	15,000
28 Mar 2012	Exercise of converting note options	2,105,263	0.0095	20,000
04 Apr 2012	Exercise of converting note options	2,777,778	0.009	25,000
12 Apr 2012	Exercise of converting note options	3,333,333	0.009	30,000
20 Apr 2012	Exercise of converting note options	14,196,360	0.009	127,767
04 May 2012	Share issue	12,283,641	0.0165	202,680
07 May 2012	Share issue	5,175,428	0.0165	85,395
30 May 2012	Share issue	31,689,481	0.0165	522,876
12 Jun 2012	Share issue	11,481,463	0.0165	189,444
	Closing balance 30 June 2012	**520,843,117**		**20,741,843**

NOTE 19: CONTRIBUTED EQUITY (CONTINUED)

Ordinary shares

No limit has been set on the total number of ordinary shares that the Company may issue. The ordinary shares do not carry par value.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hand every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote

NOTE 19: CONTRIBUTED EQUITY (CONTINUED)

d. Movement in options

		Consolidated Group	
		Number of options	**$**
Date	**Details**		
	Opening balance 1 July 2010	**35,202,001**	**57,989**
15 Nov 2010	Options issued	100,000	-
15 Dec 2010	Options exercised	(750,000)	-
	Closing balance 30 June 2011	**34,552,001**	**57,989**
	Opening balance 1 July 2011	**34,552,001**	**57,989**
08 Jan 2012	Options lapsed	(549,995)	-
07 Mar 2012	Options issued	3,971,962	-
08 May 2012	Options lapsed	(6,050,000)	-
12 Jun 2012	Options issued	5,000,000	-
	Closing balance 30 June 2012	**36,923,968**	**57,989**

On 07 March 2012, 3,971,962 share options were granted to Mr. Robin Beaumont in lieu of cash payment for directors' fees and subject to shareholders' approval. The options are exercisable on or before 15 November 2016 with an exercise price at $0.03 each. The options hold no voting or dividends rights and are not transferable.

On 12 June 2012, 5,000,000 share options were granted to Ms Maria Halasz pursuant to her employment agreement and subject to shareholders' approval to take up ordinary shares at an excise price of $0.032 each. The options are exercisable on or before 15 June 2017. The options hold no voting or dividends rights and are not transferable.

These options vested immediately on grant date. Further details of these options are provided in the directors' report. The options hold no voting or dividend rights and are not listed. During the financial year, no other options vested with key management personnel (2011: Nil).

Note 20: RESERVES AND ACCUMULATED LOSSES

a. Reserves

	Consolidated Group	
	2012	2011
	$	$
Share based payment reserve		
Balance 1 July	**1,660,231**	1,660,231
Option expense	**62,999**	-
Balance 30 June	**1,723,230**	1,660,231
Available for sale reserve		
Balance 1 July	**10,120**	3,893
Gain (loss) on revaluation	**(17,210)**	6,227
	(7,090)	10,120
Reclassification impairment loss to profit and loss	**7,090**	-
Balance 30 June	**-**	10,120
Total reserves		
Balance 1 July	**1,670,351**	1,664,124
Revaluation and options expense	**52,879**	6,227
Balance 30 June	**1,723,230**	1,670,351

b. Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated Group	
	2012	2011
	$	$
Balance 1 July	**(18,471,095)**	(16,201,458)
Net income (loss) for the year	**(1,970,360)**	(2,269,637)
Balance 30 June	**(20,441,455)**	(18,471,095)

NOTE 21: CASH FLOW INFORMATION

	Consolidated Group	
	2012	2011
	$	$
a. **Reconciliation of Cash Flow from Operations with Profit after Income Tax**		
(loss) for the year	**(1,972,483)**	(2,269,637)
Non-cash flows in profit:		
– Depreciation and amortisation	**11,419**	10,256
– Share base payment	**228,999**	172,000
– Impairment loss on non-current investment	**7,090**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and term receivables	**(43,565)**	7,064
– (decrease)/increase in prepayments	**617**	(8,981)
– (increase)/decrease in inventories	**(192,055)**	(97,182)
– increase/(decrease) in trade payables and accruals	**124,873**	(179,055)
– increase/(decrease) in provisions	**76,836**	36,812
Cash flow from operations	**(1,758,269)**	(2,328,723)

NOTE 22: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Estimated impairment of intellectual property

The group tests annually whether intellectual property has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of the intellectual property have been determined based on reviewing the status of the research and development program, progress on its patent applications and projected cash flow calculations. These calculations require the use of assumptions.

NOTE 23: EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

- The group's operation in future financial years
- The results of those operation in future financial years or
- The group's state of affairs in future financial years.

NOTE 24: RELATED PARTY TRANSACTIONS

Related Parties

a. **The group's main related parties are as follows:**

Parent entities:

Cellmid Limited is the ultimate parent entity within the wholly-owned group.

Subsidiaries:

For details of disclosures relating to subsidiaries, refer to Note 26: Controlled Entity.

Key management personnel:

For details of disclosures relating to key management personnel, refer to Note 6: Interests of Key Management Personnel (KMP).

b. **Transactions with related parties:**

Key management personnel:

Other than the transactions outlined in Note 6, the subsidiary (Advangen) issued 278,049 ordinary shares to Ms Maria Halasz as remuneration on 12 March 2012 under the terms of her employment agreement.

The shares issued to Maria Halasz represent 5% of the total issued capital of Advangen International Pty Ltd as at 30 June 2012.

Subsidiaries:

The transactions with the subsidiary have been eliminated on consolidation of the group.

NOTE 25: FINANCIAL RISK MANAGEMENT

Specific Financial Risk Exposures and Management

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

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

	Note	Consolidated Group	
		2012	2011
		$	$
Financial assets			
Cash and cash equivalents	9	**1,050,593**	1,592,508
Loans and receivables	10	**71,168**	27,603
Available-for-sale financial assets:	12	**42,910**	60,120
Total financial assets		**1,164,671**	1,680,231
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	16	258,577	133,705
– borrowings	17	-	556,835
Total financial liabilities		258,577	690,540

a. **Credit risk**

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

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

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

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

b. **Liquidity risk**

The group manages this risk through the following mechanisms:

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

The group is not exposed to any material liquidity risk.

b. **Liquidity risk (continued)**

The table below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a). all non-derivative financial liabilities

(b). net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flow	Carrying amount liabilities
As 30 June 2012	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-derivative							
Trade payable	258,577	-	-	-	-	-	258,577
Total	**258,577**	**-**	**-**	**-**	**-**	**-**	**258,577**
Derivative							
Borrowings	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flow	Carrying amount liabilities
As 30 June 2011	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-derivative							
Trade payable	133,705	-	-	-	-	-	133,705
Total	**133,705**	**-**	**-**	**-**	**-**	**-**	**133,705**
Derivative							
Borrowings		556,835	-	-	-	-	556,835
Total	**-**	**556,835**	**-**	**-**	**-**	**-**	**556,835**

c. **Market risk**

Foreign exchange risk

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

The group has no significant concentration of foreign exchange risk. The maximum exposure to foreign exchange risk is the fluctuation in the US dollar on its USD denominated bank account.

Price risk

The group is not exposed to any material price risk.

NOTE 26: SUBSIDIARY AND TRANSACTIONS WITH NON-CONTROLLING INTEREST

a. **Significant investments in subsidiary**

	Country of Incorporation	Percentage Owned (%)	
		2012	2011
Subsidiaries of Cellmid Limited			
Advangen International Pty Limited	Australia	**95**	100

b. Transactions with non-controlling interest

On 12 March 2012, 278,049 ordinary shares were issued to Ms Maria Halasz as remuneration pursuant to her employment agreement. The fair value of this issue was $10,000. The value represents 5% of the total of $200,000 valuation of Advangen International Pty Ltd on the date of issue.

As a result of this issue, the group recognised a non-controlling interest of $10,000 in the equity of the owner of Advangen International Pty Ltd.

NOTE 27: SEGMENT INFORMATON

Identification of reporting segments

The consolidated entity is organised into two operating segments: (1) research and development of diagnostics and therapeutics and (2) research, development and marketing of hair growth products. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Types of products and services

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

R&D	Diagnostics and therapeutics for cancer and inflammatory conditions
R&D and marketing	Hair growth products

Geographic segment information

The primary geographic segment within which the consolidated group operates is Australia as at 30 June 2012. For primary reporting purposes, the group operates in one geographic segment as described as at 30 June 2012.

Operating segment information

30 June 2012	**Biotechnology**	**Retailing**	**Consolidated**
	$	**$**	**$**
	Australia	Australia	
Revenue			
Sales revenue	12,590	-	12,590
Sales of products	-	115,704	115,704
Total sales revenue	12,590	115,704	128,294
Interest revenue	5,370	-	5,370
Royalties	704	-	704
Subleasing income	24,000	-	24,000
Other income	11,077	1,828	12,905
Total Revenue	53,741	117,532	171,273
Segment result	(2,412,460)	(236,921)	(2,649,381)
Share-based compensation	(218,999)	-	(218,999)
Gain on foreign exchange	49,237	-	49,237
Depreciation	(11,110)	(309)	(11,419)
Finance costs	(39,509)	(205)	(39,714)
Loss before income tax expenses	(2,579,100)	(119,903)	(2,699,003)
Income tax benefit			736,520
Loss after income tax benefit			(1,962,483)

NOTE 27: OPERATING SEGMENTS (CONTINUED)

30 June 2012

	Biotechnology	Retailing	Consolidated
	$	**$**	**$**
Assets			
Segment assets	2,135,203	340,149	2,475,352
Unallocated assets:			
Other financial assets			42,910
Total assets			2,518,262
Liabilities			
Segment liabilities	(415,667)	(13,111)	(428,778)
Total liabilities			(428,778)

NOTE 28: CONTINGENT LIABILITIES

a. **Contingent liabilities**

The parent entity and group had no contingent liabilities at 30 June 2012 or at 30 June 2011.

b. **Contingent assets**

The parent entity and group had no contingent assets at 30 June 2012 or at 30 June 2012.

NOTE 29: COMPANY DETAILS

The registered office of the company is:

Level 6,
40 King Street
Sydney NSW 2000

The principal places of business are:

Cellmid Limited

Level 6
40 King Street
Sydney NSW 2000

Advangen International Pty Limited

Level 6
40 King Street
Sydney NSW 2000

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 1 to 35, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June and of the performance for the year ended on that date of the company and group;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

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

Director

David King

Dated this 30th day of August 2012

INDEPENDENT AUDITOR'S REPORT

To the members of Cellmid Limited

Report on the Financial Report

We have audited the accompanying financial report of Cellmid Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end (the Group) or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 13 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cellmid Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Bruce Gordon

Partner

Sydney 30 August 2012