

CyGenics Ltd

ABN 48 108 051 529

A N N U A L R E P O R T



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Today's **Technology**  
Tomorrow's **Therapy**





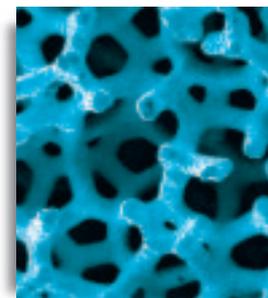
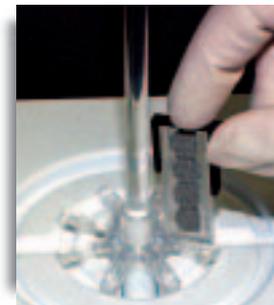
# CyGenics

A world leader in stem cell  
biotechnology

Providing the highest quality tissue  
banking services, research products  
and therapeutics.

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# Company Information

## Directors

Mr Chris Fullerton - Chairman  
Mr Steven Fang - Executive Director  
Mr Ian Brown - Executive Director  
Dr Mark Pykett - Executive Director  
Dr Anthony Soh - Non Executive Director  
Mrs Eileen Tay - Non Executive Director

## Chief Financial Officer

Mr Jeremy Yee

## Company Secretary

Mr Andrew Lord

## Registered Office

CyGenics Ltd  
Level 4, 414 Lonsdale Street  
Melbourne, Victoria 3000, Australia

## Share Registry

ASX Perpetual Registrars Ltd  
Level 4, 333 Collins Street  
Melbourne, Victoria 3000, Australia

## Home Stock Exchange

Australian Stock Exchange Ltd  
530 Collins Street  
Melbourne, Victoria 3000, Australia

## Auditors

Deloitte Touche Tohmatsu  
505 Bourke Street  
Melbourne, Victoria 3000, Australia

## Australian Legal Advisor

Middletons  
Level 29, 200 Queen Street  
Melbourne, Victoria 3000, Australia

## Singapore Legal Advisors

Allen & Gledhill  
One Marina Boulevard #28-00  
Singapore 018989

Alban Tay Mahtani & de Silva  
39 Robinson Road  
#07-01 Robinson Point  
Singapore 068911

## United States Legal Advisor

Rubin and Rudman LLP  
50 Rowes Wharf  
Boston MA 02110  
United States of America

# Positioning Statement

CyGenics focuses on cell therapy products and services in three ways:

- Umbilical cord blood stem cell and tissue banking
- Consumable devices for research and bio-manufacturing
- Cell Therapeutics:
  - Human T-cell production
  - Human stem cell expansion

The business addresses demand in significantly growing global stem cell therapy markets.

We have a strong international patent and intellectual property position.

We have an experienced Board and Management team.

The business conducts operations in Asia, United States and Australia.



# Chairman's Review



CyGenics is a diversified biotechnology group, focussing on the development and commercialisation of adult stem cell related technologies and applications, covering tissue banking, cell growth bio-manufacturing, tissue engineering, biologics and cell therapeutics.

The company is currently in an active expansion phase, both geographically and in product and services offerings. This phase is strongly supported by substantial financial resources and enhanced market awareness of our businesses following the group's successful IPO on the Australian Stock Exchange in June 2004.

Cytomatrix LLC, our Boston-based company, developed our stem cell expansion and T-cell production technology, which focuses on supporting cellular transplantations and restoration of the immune system, respectively. In addition to the current contract from the US Department of Defense, Cytomatrix has renewed its contract for a second year with US National Institutes of Health. Both contracts provide important input into our on-going development programmes.

Singapore-based CordLife Pte Ltd manages the group's tissue banking business. It is currently the major cash flow generator in the group and we are planning to expand these services in the Asian region. The consumable products division, managed by Singapore-based Cell Sciences Pte Ltd, is built on our stem cell expansion technology platform; its products are used for cell growth and bio-manufacturing.

We are in the final stages of initiating clinical trials of our human T-cell production technology and our human stem cell expansion technology. We have recently signed a clinical trial collaboration agreement with the Murdoch Childrens Research Institute in Melbourne. Successful completion of these trials will place CyGenics among the first in the world to offer safe, efficacious and cost effective means of producing human T-cells and multiplying human stem cells.

CyGenics is fortunate to have an enthusiastic, hard working and talented management team, under the energetic leadership of Steven Fang. I would also like to acknowledge the contribution of my fellow non-executive directors, who played an important role in the IPO of CyGenics and now provide both sound governance and guidance for management.

I would particularly like to thank all shareholders, both early stage investors and those who acquired shares in the IPO, for their ongoing support and encouragement. Clinical trials, in particular, take time; under stock exchange continual disclosure requirements, we will advise the market of the outcome of key milestones, which will enable shareholders to track progress.

The energy, focus and commitment of the entire CyGenics team is very much "full on" and will ensure sound progress during our first full financial year as a listed company.

A handwritten signature in black ink that reads "Chris Fullerton". The signature is written in a cursive, flowing style.

Chris Fullerton  
Chairman

# Board of Directors



**Mr Christopher Fullerton**  
Chairman, CyGenics  
*BEC*



**Mr Steven Fang**  
(Fang, Boon Sing)  
Chief Executive Officer,  
CyGenics  
*CIM (UK), MBA*



**Dr Mark J. Pykett**  
President, CyGenics  
*VMD, PhD, MBA*



**Mr Ian Brown**  
Chief Operating Officer,  
CyGenics  
*GDip. BA, GAICD, FAIM*



**Dr Anthony Soh**  
(Soh, Guan Cheow)  
Non-Executive Director,  
CyGenics  
*MBBS (Singapore),  
PG Dip. Aud. (Australia)*



**Mrs Eileen Tay**  
(Tan, Bee Kiew)  
Non-Executive Director,  
CyGenics  
*BAcc. (Hons), FCPA  
(Australia)*

# Review of Operations

CyGenics Ltd's operations have grown strongly in key financial and market performance parameters for the period under review. The group's tissue banking business in the CordLife operating division has continued to grow over previous years. The cell therapy business, through the Cytomatrix operating division, provided the group with a major contract milestone with the US Department of Defense ("DOD"). Additionally, the group also established its product business through its wholly owned operating division, Cell Sciences. With the successful Initial Public Offering ("IPO") on the Australian Stock Exchange ("ASX"), the company has sufficient financial resources to pursue the strategy to grow its revenue generating businesses while taking steps to advance its clinical trials in T-cell production to support cell-based immunotherapy and in ex-vivo stem cell expansion to support cell transplantations. CyGenics is well positioned to realise good financial growth through investments in existing businesses, expanding into new geographical markets, expanding into new cell based assaying services and to seek out-licensing of its innovative cellular technologies.

## **Business Unit Update**

### ***Tissue Banking Business – CordLife Pte Ltd***

- Revenue continues to grow month on month; with a total of 229 clients for the months of July and August 2004, the business division saw an increase of 151% over May and June 2004 in number of clients, and an increase of 97% over the same period in July and August 2003 in number of clients.
- Regional volume is being driven by key markets such as Singapore and Hong Kong through strong Governmental push and financial support for families to have more children.
- Regional expansion of this business in Hong Kong, whilst marketing activities initiated in Indonesia, Thailand and Philippines.
- Have completed two UCB transplants, with a third expected to be undertaken this year.
- New AABB compliant Umbilical Cord Blood processing laboratory located in Singapore.
- Have started fulfilling the consultancy contract with the Singapore Government to assist in building the Singapore Public Cord Blood Bank.

### ***Product Sales & Distribution Business – Cell Sciences Pte Ltd***

- Completed distribution agreements with European distributor, DASGIP and US distributor, Biomedical Resources. The company currently maintains a network of 6 distributors worldwide in key markets.
- Preliminary qualification of the company's products under cGMP (certified Good Manufacturing Practice for pharmaceuticals) has been validated by three major biopharma companies in USA and one biopharma company in Germany.
- Initial sales of research-based cell growth products are in-line with management expectations for the period.
- The company has been approached by established companies from USA to discuss opportunities for third party OEM and distribution of its cell growth products.

# Review of Operations

## ***Cell Therapy Business – Cytomatrix LLC***

- The renewed contract from the US DOD is facilitating early commercialisation of this technology which the company has augmented with the setup of a dedicated team to offer our cell based screening service to drug discovery, pharmaceutical and other biotechnology companies in USA and Europe.
- Cytomatrix is launching its advanced cell based screening services leveraging its proprietary T-cell technology and know-how from its US DOD experience.
  - It will target drug discovery, pharmaceutical and other biotechnology companies in USA and Europe.
  - Offer a rapid and effective approach to screening candidates between that of an animal model and full human clinical trials.

## **Clinical Trial Program Update**

### ***T-cell Production (Artificial Thymus)***

- This is a patented innovative cell production technology that generates new T-cells from stem cells, resulting in a broad spectrum of T-cells that may be able to reconstitute the immune system of immuno-compromised patients.
- IND documentation is currently in preparation for US FDA submission and review.
- Preparation for the start of clinical trials has begun.

### ***Ex-vivo Stem Cell Expansion (Artificial Bone Marrow)***

- This is a patented innovative cell growth technology that allows for rapid multiplication of Haematopoietic Stem Cells (“HSC”) without the use of exogenous cytokines (cell growth hormones) or animal-derived reagents, resulting in whole population growth that yields both high quality and quantity cells for clinical transplantation.
- Clinical Trial Laboratory agreement was completed with Australia’s Murdoch Childrens Research Institute (“MCRI”), a world-leading stem cell research and transplantation centre in Melbourne.
- IND preparation for this trial will commence in early 2005.
- The team anticipates patient recruitment later in 2005.

### ***Government Grants***

- Application processes to various grant agencies for support have been initiated.

### ***Management / Personnel***

- Recruitment to support the Australian Clinical Trials team has commenced.
- Further expansion of the Cytomatrix team to undertake cell based screening services has commenced.

# Review of Operations

## ***Tissue Banking Business – CordLife Pte Ltd***

CordLife Pte Ltd is a wholly-owned controlled entity of CyGenics. Incorporated in May 2001 in Singapore, the company is a fee-for-service tissue banking company.

CordLife's core businesses have continued to grow strongly over the years. Much of this growth has been in part driven by the growing awareness and acceptance of its Umbilical Cord Blood ("UCB") tissue banking services from established markets such as Singapore. In key markets such as Singapore and Hong Kong, growth is assisted by the Government's push to grow the population base. For example, the Singapore Government is providing both housing policy support and financial incentives for couples to consider having more children.

For the months of July and August 2004, CordLife signed up a total of 229 clients. In comparison, that is an increase of 151% in the number of clients over the months of May and June 2004, and an increase of 97% over the same period in the previous year of July and August 2003 in the number of clients.

The company commenced its business and market development into new markets like Indonesia, Philippines and Hong Kong in July 2004. Initial results have been extremely encouraging with 20 clients coming from Indonesia within the first two months of operations. By comparison, Singapore was only able to achieve that volume after its first year of operation in 2002. The management team expects similar rapid increases in volumes over the next twelve months in line with the expansion plans in the region. CordLife will be successful given its technical know how in tissue banking, UCB transplantation experiences, working with internationally recognised clinical transplant specialist and the potential of its ex-vivo stem cell expansion technologies undergoing clinical trials in Australia.

CordLife has completed its new AABB compliant laboratory for the final stages of this accreditation. It will also be the only such facility in South East Asia, cementing its position as the leading company for its regional markets in this business.

In terms of UCB transplantation, CordLife has a high rate of use compared to many other international UCB facilities. The company currently has an estimated rate of use of 1 in every thousand specimens or client on an autologous or sibling transplant. Both transplants so far have been successful in reactivation of the cells, cell viability and cell count, all of which contributes to successful engraftment. CordLife expects to undertake its third sibling UCB transplant this year in Singapore. Such UCB transplants will be crucial in establishing CordLife and CyGenics towards the area of Cell Therapy.

In terms of Specialist Advisors, CordLife is pleased to announce that it had added Professor Patrick Tan unto its Board of Clinical advisors. Prof. Tan is a leading haematologist in Singapore with more than 300 HSC and UCB unrelated transplants to date. It is important for CordLife to maintain a strong and credible panel of Scientific and Clinical Advisors to support its efforts to grow this business in regional markets.

In addition to its traditional business of UCB, CordLife is also licensed by Singapore health authorities to offer other forms of tissue banking services such as Peripheral Blood Stem Cells. The company is currently exploring ways to collaborate with key opinion leaders in the medical field in this service.

# Review of Operations

As a direct result of the above mentioned activities, the CordLife team has grown only incrementally. Much of the new hires were for entry level sales position, while the middle management positions were filled with individuals promoted from existing headcounts. This approach not only provides the much needed incentive towards staff retention, but keeps core know how and business understanding within invested headcounts.

## ***Product Sales and Distribution Business – Cell Sciences Pte Ltd***

Cell Sciences Pte Ltd is a wholly-owned controlled entity of CyGenics that was established in Singapore in late 2003 for the purpose of developing, commercialising, sales and marketing of its range of disposable cell growth devices. The company launched its first two products only in March 2004. The company currently has appointed and completed an international network of distributors for USA, Canada, EU, South Korea, Singapore, Thailand, China and Australia.

Sales of its Paddle system have grown the fastest, while the sales of its spinner system with Cytomatrix are just beginning to grow. Much of its product sales growth is within the company's expectation of the level of technical selling required for the respective products. Almost all of its current sales are with Research institutions.

Product development now includes a clinical static culture system targeted to support its clinical trials and towards the increase in demand for such systems post Phase II and III clinical trials.

Cell Sciences was also able to work with established bio-pharma companies in getting a preliminary qualification for its cell growth devices into certified Good Manufacturing Practice facilities (cGMP). Three major biopharmaceutical companies in the USA and one German biopharmaceutical company have since completed this preliminary qualification. This is an important milestone for the company to explore bio-manufacturing support using its matrix device for cell based production.

## ***Cell Therapy Business – Cytomatrix LLC***

Cytomatrix LLC was established in May 1996 in Boston Massachusetts, USA. The company is a wholly-owned controlled entity of CyGenics and is focused in providing scientific support to the group and undertaking commercialisation efforts for its ex-vivo stem cell expansion and T-cell production technology platforms. The company is also mainly responsible for the group's global clinical trial efforts of the aforementioned technologies.

Cytomatrix has grown strongly in terms of its clinical development and in its ability to generate revenue.

With regards to its clinical trials development, the company is in the process of submitting its US FDA and IND filing. At the same time, the company has completed its first contract for its ex-vivo expansion clinical trial in Australia with MCRI. First patient recruitment is anticipated to start early next calendar year. Cytomatrix is currently working on its second clinical trial contract for its T-cell Production platform.

Cytomatrix's major service contract using its T-cell platform with the US DOD is on track with its annual revenue targets, with a monthly billing cycle. As a direct result of its experience and validation of its T-cell platform, the company is now exploring opportunities to further commercialise its service leveraging this technology platform. The opportunity for CyGenics to be a key player in the drug discovery and biopharmaceutical market space is now possible using its rapid and cost effective cell based screening / assaying platform.

# Review of Operations

Further investments in headcounts and capital equipment is currently being undertaken to achieve these growth in services.

## ***Clinical Trial Updates***

### ***T-cell Production (Artificial Thymus)***

This is a patented innovative cell production technology that generates new T-cells from stem cells, resulting in a broad spectrum of T-cells that may be able to reconstitute the immune system of immuno-compromised patients. The IND for submission to USFDA for clinical trial is currently near its final stages of preparation and submission. Approval is anticipated to be in early 2005, with recruitment of patients to start in Q1 2005. CyGenics is also currently seeking to enlarge its clinical trial support team. Timing for this clinical trial is on track. Cost for this trial is expected to be lower than originally budgeted for.

### ***Ex-vivo Stem Cell Expansion (Artificial Bone Marrow)***

This is a patented innovative cell growth technology that allows for rapid multiplication of HSCs without the use of exogenous cytokines (cell growth hormones) or animal-derived reagents, resulting in whole population growth that yields both high quality and quantity cells for clinical transplantation. USFDA IND submission is expected to begin in Q2 2005, with approval and patient recruitment to start in Q4 2005. Clinical Trial Laboratory agreement was completed with Australia's MCRI, a world-leading stem cell research and transplantation center in Melbourne. CyGenics is also currently seeking to enlarge its clinical trial support team. Timing for this clinical trial is on track. Cost for this trial is expected to be lower than originally budgeted for.

# Intellectual Property Report

## Status Summary

### A. Patents and patent applications in the name of Cytomatrix LLC

#### 1. International Patent Application No. PCT/US98/20123

**Title** : Methods and Devices for the Long-Term Culture of Hematopoietic Progenitor Cells

**Filed** : 25 September 1998

**Priority** : US 60/059,954 dated 25 September 1997

**Applicant** : Cytomatrix, LLC

**Inventors** : Mark J. Pykett, Michael Rosenzweig, and Richard B. Kaplan

**Status** : Entered the National Phase in Canada, China, Europe, Japan, and the United States

Country	Application No.	Status
International	PCT/US98/20123	Entered National Phase
Canada	2304650	Pending; Request for examination lodged 24 September 2003
China	98809535.1	Pending; Request for examination lodged 14 July 2000
Europe	98949516.3	Pending; First examination report issued 18 September 2003; extension of time obtained for response. Designates Belgium, Denmark, Finland, France, Germany, Italy, Liechtenstein, Netherlands, Spain, Sweden, Switzerland and United Kingdom.
Japan	2000-512923	Pending; Request for examination due by 25 September 2005
United States	09/509,379	Granted as US 6,440,734 on 27 August 2002
United States	10/143,540	Granted as US 6,645,489 on 11 November 2003
United States	10/705,720	Continuation application; Pending; Awaiting first Office Action

This invention relates to a culture system, culture method, and apparatus for culture of haematopoietic cells in the absence of growth factors (other than those present in serum), stromal cells, or stromal cell-conditioned medium. The

# Intellectual Property Report

invention also provides methods for genetic transduction of long-term culture initiating cells, and methods for *in vivo* expansion for haematopoietic cells, using the culture system of the invention.

All claims as originally filed have now been granted in the United States. The continuation application was lodged as a precautionary measure, in case protection was desired in respect of subject matter disclosed but not yet claimed.

## 2. International Patent Application No. PCT/US99/26795

- Title** : Lymphoid Tissue-Specific Cell Production from Hematopoietic Progenitor Cells in Three-Dimensional Devices
- Filed** : 12 November 1999
- Priority** : US 60/107,972 dated 12 November 1998
- Applicant** : Cytomatrix, LLC and The General Hospital Corporation
- Inventors** : Michael Rosenzweig, Mark J. Pykett, David T. Scadden, and Mark. C. Poznansky
- Status** : Entered the National Phase in Canada, China, Europe, Japan, and the United States

Country	Application No.	Status
International	PCT/US99/26795	Entered National Phase
Canada	2351889	Pending; Request for examination due by 12 November 2004
China	99813230.6	Pending; Request for examination lodged 15 May 2001
Europe	99960304.6	Pending; First examination report issued 9 September 2003; extension of time obtained for response. Designates Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland and United Kingdom.
Japan	2000-581166	Pending; Request for examination due by 12 November 2006
United States	09/574,749	Granted as US 6,548,299 on 15 April 2003
United States	10/161,097	Divisional application pending; Awaiting first Office Action.

This invention relates to a method for expansion and differentiation of haematopoietic progenitor cells in co-culture with lymphoreticular stromal cells, in the absence of growth factors, other than those present in serum. The method

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can be used with totipotent, pluripotent, multipotent or committed haematopoietic cells, including cells of a variety of haematopoietic lineages. It is envisaged that the method will be useful for providing cells for treatment of immune deficiencies, including congenital immune deficiencies, AIDS and the like.

The application is in the joint names of Cytomatrix and The General Hospital Corporation ("GHC"). Cytomatrix has a licence agreement dated 1 December 1998 with GHC which confers an exclusive world-wide royalty-bearing licence to make, use and sell products within the scope of this invention.

### 3. International Patent Application No. PCT/US00/26122

**Title** : Cell Culture Spinner Flasks

**Filed** : 22 September 2000

**Priority** : US 09/405,477 dated 24 September 1999

**Applicant** : Cytomatrix, LLC

**Inventors** : Todd M. Upton and John Flickinger

**Status** : Entered the National Phase in Europe and the United States

Country	Application No.	Status
International	PCT/US00/26122	Entered National Phase
Europe	00963738.0	Pending; First examination report issued 18 July; 2003; extension of time obtained for response. Designates Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland and United Kingdom.
United States	10/088,825	Pending; Office Action issued

This invention relates to an apparatus and method for cell culture in which an open-pore three-dimensional matrix is used to provide increased access of cells to nutrients. The invention is stated to be particularly useful for cells which are difficult to culture, such as those which lose desired attributes such as pluripotentiality in culture or which are difficult to establish in culture. While the invention is applicable to a wide variety of different cell types, it is particularly useful for the culture of haematopoietic cells.

# Intellectual Property Report

## 4. International Patent Application No. PCT/US00/26020

**Title** : Methods and Devices for Obtaining Non-Hematopoietic Lineage Cells from Hematopoietic Progenitor Cells

**Filed** : 22 September 2000

**Priority** : US 60/156,031 dated 23 September 1999 and US 60/217,438 dated 10 July 2000

**Applicant** : Cytomatrix, LLC

**Inventors** : Mark J. Pykett, Michael Rosenzweig, and Naheed Banu

**Status** : Entered the National Phase in Europe and the United States

Country	Application No.	Status
International	PCT/US00/26020	Entered National Phase
Europe	00965306.4	Pending; First examination report issued 20 August 2003; Response lodged 17 December 2003; A second examination report issued on 26th March 2004; Designates Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland and United Kingdom.
United States	10/088,826	Pending; Awaiting first Office Action

This invention provides methods and devices for obtaining cells of non-haematopoietic lineages from haematopoietic progenitor cells. The system can be manipulated to provide mesenchymal, epithelial, parenchymal, neuronal, or endothelial cells, depending on which growth factors are used in the culture medium.

## 5. International Patent Application No. PCT/US03/16419

**Title** : Cytokine-Free Growth and Maintenance of Progenitor Cells

**Filed** : 23 May 2002

**Priority** : US 60/383,239 dated 24 May 2001

**Applicant** : Cytomatrix, LLC

**Inventors** : Mark J. Pykett, Michael Rosenzweig, and Todd M.Upton

**Status** : Pending; Deadline for entering National Phase is 24 November 2004

This invention relates to methods and devices for in vitro expansion of haematopoietic cell populations in the absence of exogenous growth factors or cytokines (other than those present in serum), stromal cells or stromal cell-conditioned medium. The application designates all available states, including Australia, Canada, China, Europe (potentially 26 countries), Japan, Singapore and the United States.

## 6. US provisional application ( Filing number not yet available)

**Title** : Methods for Production of Regulatory T Cells and Uses Thereof

**Filed** : 29 March 2004

This invention relates to in vitro culture, of regulatory T cells, including maintenance and proliferation, followed by their isolation from such cultures.

Pursuant to a joint venture and shareholder agreement dated 13 December 2000 between Cytomatrix LLC and Select Therapeutics, Inc., a joint venture corporation named Cell Science Therapeutics, Inc. was established. The patent applications in families 2-4 were either assigned to, or were originally lodged in the name of, Cell Science Therapeutics, Inc. Pursuant to a termination agreement dated 3 December 2001, Cell Science Therapeutics, Inc. was dissolved, and all of its patents and applications were reacquired by Cytomatrix. The assignment agreement relating to this reacquisition has been recorded. No new intellectual property was developed under the Joint Venture Agreement between Cytomatrix and Select Therapeutics.

# Intellectual Property Report

## B. Patent in the name of CordLife Pte Ltd

**Singapore Patent No. 102044 (Application No. 20202359-6)**

**Title** : "Cell Culture System"

**Filed** : 22 April 2002

**Applicant** : CordLife Pte Ltd

**Inventors** : Harry Yu, Soren Muller Bested, Steven Fang, and Cheng Eng Ang

The invention relates to a cell culture system and culture method for culture of cells such as stem cells and, in particular, cells obtained from umbilical cord blood. The invention also relates to a process for producing a population of expanded cells and/or bio-pharma products. The invention also relates to use of a cell culture system and a population of expanded cells and/or a bio-pharma product.

## C. Patents and applications licensed to Cytomatrix LLC

1. National applications were lodged in the United States, Europe and Japan. The European application was granted, and has been validated in France, Germany, Italy, Spain and the United Kingdom.

**Title** : "Open Cell Tantalum Structures for Cancellous Bone Implants and Cell and Tissue Receptors"

**Priority** : US patent application No. 850118 dated 11 March 1992

**Patentee** : Ultramet

**Inventor** : Richard B. Kaplan

Country	Application No.	Status
Europe	560279	Granted 14 June 2000
France	560279	Validation of European patent
Germany	69328843	Validation of European patent
Italy	560279	Validation of European patent
Japan	3445301	Granted 27 June 2003
Spain	2148191	Validation of European patent
United Kingdom	560279	Validation of European patent
United States	5282861	Granted 1 February 1994

This discloses and claims the three-dimensional tantalum-coated carbon mesh material which is used in the Cytomatrix cell culture system and method of the patent families summarized in Section A. These patents have been assigned to Tantalum Cellular Products LLC.

# Intellectual Property Report

## 2. US provisional application (60/528,796)

**Title** : Process for Producing T Lymphocytes

**Filed** : 12 December 2003

**Applicant** : Brigham and Women's Hospital

**Inventors** : Rachel Clarke and Thomas Kupper

**Status** : Provisional application filed in the United States

This invention relates to an in vitro method for producing T lymphocytes that can be administered to patients for the treatment of a variety of diseases and conditions. The method involves growing bone marrow cells on a three-dimensional matrix under conditions promoting lymphocyte growth.

The provisional application is in the name of Brigham and Women's Hospital. Cytomatrix has a license agreement dated 21 September 2004 with Brigham and Women's Hospital which confers an exclusive royalty-bearing license to make, use and sell products within the scope of this invention and patent application, including any division, continuation or foreign patent application or the equivalent thereof.

## D. Trade mark registrations and applications in the name of Cytomatrix LLC

MARK	CYTOMATRIX	TRANSCORD	TRANSTEM	REGENIMMUNE	CYTOMATRIX
NO	75137018	76251782	76252084	76251518	76252089
CLASS	10	5	5	5	5
FILING DATE	25 July 1997	4 May 2001	4 May 2001	4 May 2001	4 May 2001
STATUS	Registered 3 June 1997 No.2067260	Allowed the statement of use to be lodged	Registered 7 October 2003 No. 2772191	Pending	Registered 24 August 2004 No.2875984
GOODS	Foam material for culturing and manipulation of hematopoietic stem <i>in vitro</i> .	Cells for medical or clinical use	Cells for medical or clinical use in human medical treatment	Clinical preparations, namely, cultured cells for use in the treatment of cancers and infectious diseases	Reagents and devices for ex- vivo cell processing in particular media suitable for the expansion of cells.

Trade mark application no. 75137018 was originally filed in the name of Tantalum Cellular Products. Trade mark application nos. 76251782 and 76251518 were originally filed in the name of Select Therapeutics, Inc. Trade mark application nos. 7652084 and 76252089 were originally filed in the name of Cell Science Therapeutics, Inc. According to the US Patent and Trade Marks Office database, the assignment of each of these marks to Cytomatrix LLC has been recorded.

# Intellectual Property Report

## E. Trade mark registrations and applications in the name of CordLife Pte Ltd

MARK	COUNTRY	NO	FILING DATE	STATUS	GOODS
<b>CORDLIFE</b>	Australia	941077	28 January 2003 Priority: 16 September 2002	Registered	<p><b>Class 39:</b> Storage of biological tissue and blood; collection of biological tissue and blood; cryogenic storage; cryogenic storage of biological tissue and blood; providing advice relating to the aforesaid.</p> <p><b>Class 44:</b> Blood bank services; blood testing, processing, typing and analysis; providing advice relating to the aforesaid.</p>
<b>“Blood cell” device (“bubbles in rectangle in black and white”)</b>	Australia	941179	28 January 2003 Priority: 18 September 2002	Registered	<p><b>Class 39:</b> Storage of biological tissue and blood; collection of biological tissue and blood; cryogenic storage; cryogenic storage of biological tissue and blood; providing advice relating to the aforesaid.</p> <p><b>Class 44:</b> Blood bank services; blood testing, processing, typing and analysis; providing advice relating to the aforesaid.</p>
<b>“Blood cell” device (“discs form bubble, grotesque”) in colour</b>	Australia	942294	4 February 2003 Priority: 18 September 2002	Registered	<p><b>Class 39:</b> Storage of biological tissue and blood; collection of biological tissue and blood; cryogenic storage; cryogenic storage of biological tissue and blood; providing advice relating to the aforesaid.</p> <p><b>Class 44:</b> Blood bank services; blood testing, processing, typing and analysis; providing advice relating to the aforesaid.</p>

# Intellectual Property Report

MARK	COUNTRY	NO	FILING DATE	STATUS	GOODS
<b>CORDLIFE</b> (word script)	China	3477480	7 March 2003	Pending	<b>Class 39</b>
<b>CORDLIFE</b> (script and blood cell device)	China	3477481	7 March 2003	Pending	<b>Class 44</b>
<b>CORDLIFE</b> (script and blood cell device)	China	3277482	7 March 2003	Pending	<b>Class 39</b>
<b>CORDLIFE</b> and blood cell device	Indonesia	D00-2003-28195-28471	8 October 2003	Pending	<b>Class 5</b>
<b>CORDLIFE</b> and device	Malaysia	2003-11026	28 August 2003	Pending	<b>Class 39:</b> Storage of biological tissue and blood; collection of biological tissue and blood; cryogenic storage; cryogenic storage of biological tissue and blood; providing advice relating to the aforesaid.
<b>CORDLIFE</b>	Singapore	T02/ 14265F	16 September 2002	Accepted	<b>Class 39</b>
<b>CORDLIFE</b> (Stylised)	Singapore	T02/ 14266D	16 September 2003	Accepted	<b>Class 44:</b> Blood bank services; blood testing, processing; typing and analysis; providing advice relating to the aforesaid.
<b>CORDLIFE</b>	Singapore	T02/ 17911D	22 November 2001	Accepted	<b>Class 42:</b> Medical services, namely tissue banking, umbilical cord banking, cell/ tissue amplification services, collection of tissue, long term storage of tissue, accreditation of tissue facility, lab/facility operator, stem cell application/ therapy, advanced diagnostics, non-controversial sources of stem cells.
<b>CORDLIFE</b>	Singapore	T02/ 14334B	NA	NA	<b>Class 39:</b> Storage of biological tissue and blood; collection of biological tissue and blood; cryogenic storage; cryogenic storage of biological tissue and blood; providing advice relating to the aforesaid.

# Intellectual Property Report

## F. Trade mark applications in the name of CyGenics Limited

<b>MARK:</b>	CYGENICS
<b>COUNTRY:</b>	AUSTRALIA
<b>NO:</b>	992057
<b>FILING DATE:</b>	5 March 2004
<b>STATUS:</b>	Pending
<b>GOODS:</b>	<p><b>Class 5:</b> Pharmaceutical, veterinary biotechnology and medical preparations and substances; diagnostic preparations and reagents for medical purposes; culture fluids, including cultures of micro-organisms for medical purposes; human tissue; animal tissue; human tissue and animal tissue for transplantation, medical and surgical purposes; human cells including stem cells, animal cells including stem cells; preparations for the treatment, reconstruction and repair of tissue; Vitamins, minerals, nutritional supplements and foodstuffs in this class are excluded.</p> <p><b>Class 10:</b> Surgical and medical apparatus and instruments; surgical and medical implants; implants comprising tissue materials; cell culture devices.</p> <p><b>Class 42:</b> Scientific, research, clinical research, development, advisory and consultancy services in relation to T-cell production, T-cell immunotherapy, cell culture devices, tissue engineering for cellular applications for humans and animals, stem cell banking, tissue banking, drug discovery, vaccine screening, cell culture methods, cell expansion technology including stem cell expansion technology, cellular therapies including stem cell therapies and cellular transplants.</p> <p><b>Class 44:</b> Medical, surgical, clinical and veterinary services in relation to T-cell production, T-cell immunotherapy, cell culture devices, tissue engineering for cellular applications for humans and animals stem cell banking, tissue banking, drug discovery, vaccine screening, cell culture methods, cell expansion technology including stem cell expansion technology, cellular therapies including stem cell therapies and cellular transplants.</p>

## G. Trade mark applications in the name of Cell Sciences Pte Ltd

<b>MARK</b>	STARWHEEL	DYNAMATRIX	STATAMATRIX
<b>COUNTRY</b>	Australia	Australia	Australia
<b>NO</b>	988995	999079	998953
<b>FILING DATE</b>	22 April 2004	22 April 2004	22 April 2004
<b>STATUS</b>	Pending	Pending	Pending
<b>GOODS</b>	<b>Class 10:</b> Surgical and medical apparatus and instruments; surgical and medical implants; implants comprising tissue materials; cell culture devices	<b>Class 10:</b> Surgical and medical apparatus and instruments; surgical and medical implants; implants comprising tissue materials; cell culture devices	<b>Class 10:</b> Surgical and medical apparatus and instruments; surgical and medical implants; implants comprising tissue materials; cell culture devices

# Corporate Governance Statement

The CyGenics Board of Directors (“Board”) is committed to maintaining the highest ethical standards and best practice in the area of corporate governance within the framework of the Australian Stock Exchange Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Guidelines) to ensure the Group’s business is conducted in the best interests of all stakeholders.

## **ASX Principle 1: Lay solid foundations for management and oversight**

### **Role of the Board**

The Board is responsible to shareholders for the performance of the Group and for the overall corporate governance of CyGenics. This role encompasses the determination of CyGenics’ goals and strategic direction and ensures timely and accurate communications to shareholders. The Board has established policies in respect of Board responsibilities and delegations of authority for the appropriate management of the Group’s operations. The Board is continuing to develop management policies and procedures addressing statutory financial reporting, Board and management financial reporting and controls, information technology security, contract management, management and staff performance reviews and remuneration, internal controls for business risk management, ethical standards and occupational health and safety practices. The Board is responsible for appointing the Chief Executive Officer and reviewing his performance. The Chief Executive Officer is responsible for the overall implementation and management of the policies and strategies established by the Board.

## **ASX Principle 2: Structure the Board to add value**

### **Board Composition**

The Board is currently composed of three Executive and three Non-executive Directors. CyGenics’ Constitution specifies that the number of Directors shall not be less than three. At present the Board consists of:

Mr Christopher Maxwell Fullerton, Chairman (Non-executive), Appointed on 16 April 2004.

Mr Steven Fang (Boon Sing Fang), Executive Director (Chief Executive Officer), Appointed on 19 February 2004

Dr Mark Pykett, Executive Director (President), Appointed on 24 February 2004

Mr Ian David Brown, Executive Director (Chief Operating Officer), Appointed on 19 February 2004

Dr Anthony Guan Cheow Soh, Non-executive Director, Appointed on 24 February 2004

Mrs Eileen Tay (Bee Kiew Tan), Non-executive Director, Appointed on 24 February 2004

CyGenics’ policy governing Board composition requires the Chairman to be an independent Non-executive Director and requires the Board to strive to have a majority of the Board to be independent Non-executive Directors. In assessing independence, the Board has regard to the ASX Guidelines and the independence of each Director is monitored by the Board on an ongoing basis in light of disclosed interests. As at the date of this annual Report the Board has determined that all CyGenics Directors are independent, other than Mr Steven Fang, Dr Mark Pykett and Mr Ian Brown. The Board strives to ensure its composition includes an appropriate mix of expertise and experience relevant to CyGenics’ business activities conducive to making expedient decisions in the best interests of the Company. The relevant skills, experience and expertise of each Board member is set out in the Directors’ Report. The Board recognises the

# Corporate Governance Statement

importance of each Director bringing independent judgment to bear in the Board's decision making process. Accordingly, all Directors have access to independent professional advice at the Company's expense with the approval of the Chairman.

## **Board Committees**

Three Board committees facilitate the execution of the Board's responsibilities:

### *Audit Committee*

The members of the Audit Committee ("AC") during the period 19 February 2004 to 30 June 2004 were Mrs Eileen Tay (Chairperson) and Dr Anthony Soh. The AC had only two members during the period considering the size of the Company and complexities involved in its corporate governance. Should the size of the Company and complexities of its corporate governance issues increase in the following financial periods, the Board would strive to have three members in the AC.

The main objectives of the AC are to assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to:

- reporting of financial information to users of financial report;
- application of accounting policies;
- financial management;
- internal control system;
- risk management system;
- business policies and practices;
- protection of the entity's assets; and
- compliance with applicable laws, regulations, standards and best practice guidelines.

One AC meeting was held during the above period and details of attendance are set out in the Directors' Report.

### *Nomination Committee*

The members of the Nomination Committee ("NC") during the period 19 February 2004 to 30 June 2004 were Mr Chris Fullerton (Chairman), Dr Anthony Soh and Mrs Eileen Tay.

The primary purpose of the NC is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is appropriately structured and comprised of individuals who are best able to discharge the responsibilities of directors.

One NC meeting was held during the above period and details of attendance are set out in the Directors' Report.

# Corporate Governance Statement

## *Remuneration Committee*

The members of the Remuneration Committee (“RC”) during the period 19 February 2004 to 30 June 2004 were Dr Anthony Soh (Chairman), Mr Chris Fullerton and Mr Steven Fang.

The Board is responsible to shareholders for ensuring that the Group:

- has coherent remuneration policies and practices which are observed and which enable it to attract and retain executives and Directors who will create value for shareholders;
- fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general pay environment; and
- complies with the provisions of the ASX Listing Rules and Corporations Act.

The primary purpose of the RC is to support and report to the Board in fulfilling these responsibilities to shareholders in relation to:

- executive remuneration policy;
- the remuneration of executive directors;
- the remuneration of direct reports to the Chief Executive Officer, and as appropriate other senior executives; and
- all equity based plans.

One RC meeting was held during the above period and details of attendance are set out in the Directors’ Report.

## *Other Committees*

Additional sub-committees are established by the Board on an as needs basis from time to time to monitor specific transactions and projects of the Group.

## **ASX Principle 3: Promote ethical and responsible decision-making**

### **Ethical Standards and Compliance**

CyGenics prescribes ethical standards for employees for professional conduct, dealings with the business community, the public and with other employees. The Group has adopted policies and guidelines in the context of both the applicable legislation and accepted community standards. The Board has determined not to implement a separate code of conduct in respect of these matters, but rather to articulate the Group’s requirements for standards of conduct in individual policies dealing with relevant issues including confidentiality, conflicts of interest, fraud risks, employee discrimination and harassment and trading in Company securities.

### **Trading of Company Securities by Directors and Employees**

The Board considers that if Directors, employees and their associates acquire shares in CyGenics, these shares should be held for longer term investment and not for speculative or trading purposes. Group policy prohibits the trading of Company securities by Directors and employees whilst in possession of price sensitive information.

# Corporate Governance Statement

CyGenics has developed guidelines for Directors and employees which provide a basic explanation of what constitutes insider trading and CyGenics' policy to prevent it, including:

- a description of what conduct may constitute insider trading;
- a description of the times when it may be appropriate, as a general rule, to refrain from buying or selling CyGenics securities; and
- the process for buying or selling CyGenics securities.

## **ASX Principle 4: Safeguard integrity in financial reporting**

In addition to the established function of the Audit Committee described above, the Board has implemented management financial reporting requirements. The Board requires the provision of written assurances in respect of the accuracy and compliance of Group's financial reports by the Chief Executive Officer and the Chief Financial Officer as part of the management sign-off process for the half year and full year Group financial statements.

## **ASX Principle 5: Make timely and balanced disclosure**

As a public listed company, CyGenics is required to comply with ASX Listing Rules continuous disclosure obligations, as complemented by the Corporations Act disclosure requirements. CyGenics has established a written policy relating to continuous disclosure. The policy establishes CyGenics' principal disclosure obligations and the consequences of failure to disclose information, provides practical assistance in assessing when matters may require disclosure by using qualitative and quantitative tests of materiality and describes the process to be followed in identifying potentially discloseable information, reporting it internally and, if required, disclosing it to the ASX.

## **ASX Principle 6: Respect the rights of shareholders**

### **Role of Shareholders**

The Board of Directors aims to ensure that all shareholders are informed of all major developments affecting the Company and seeks to maintain a strong and participatory framework for shareholder relations.

The principal method of communicating to shareholders is through the Company's Annual Report, which is issued to all shareholders and posted on the Company's website. Company announcements are posted on the Company website and shareholders can register through the website to receive notification of all announcements. In addition, through the Company's AGM, shareholders can participate by attending the meeting.

The Company's website is in the process of being reviewed and updated, having regard to the ASX Guidelines to promote communications with shareholders.

### **Company Auditor**

Deloitte Touche Tohmatsu ("DTT") has been appointed as CyGenics' external auditor for the first reporting period from 19 February 2004 to 30 June 2004. DTT has regular interface with the Audit Committee and is given the opportunity to meet with CyGenics Directors without management in attendance. A representative from DTT will attend CyGenics' AGM.

## **ASX Principle 7: Recognise and manage risk**

### **Risk Management**

The risks associated with CyGenics' business are wide ranging and include the following:

- long lead times and high costs involved in Research & Development, with no guarantee of success;
- complex government and health regulations which are subject to change;
- the high level of funding required over a long period of time; and
- securing rights to technology and patents as an integral part of obtaining potential product value.

Shareholder value analysis is considered by the Board to be integral to the management of CyGenics' business and its related risks, with the objective of maximising shareholder returns over time. The consideration and approval by the Board each year of the Group's strategy, business plans and financial budgets involve identification of significant risks and the implementation of appropriate strategies to deal with them. The Board also requires management reporting against projected results. The Board receives monthly reports by management on the Group's financial performance, R&D programs and business development activities.

The Board has delegated responsibility for the maintenance and review of policies and procedures on risk oversight and management to the Chief Executive Officer. The Board is developing a policy which requires written assurances from the Chief Executive Officer and the Chief Financial Officer to the effect that:

- statements in accordance with the ASX Guidelines, given in respect of the integrity of financial statements, are founded on sound systems of risk management and internal compliance and control which implement the policies adopted by the Board; and
- the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## **ASX Principle 8: Encourage enhanced performance**

The Board has committed to future annual reviews of its performance, both individually and collectively, as well as annual reviews of key Group management against both measurable and qualitative indicators.

The Group's Human Resources Management Plan, to be implemented during the next financial year, would encompass a structured training and development program for all employees including management, which is directly aligned to achieving the Group's business objectives.

# Corporate Governance Statement

## **ASX Principle 9: Remunerate fairly and responsibly**

The Board has set-up a Remuneration committee to support it in fulfilling its responsibilities on matters pertaining to the remuneration of the Board, management and employees as described under Principle 2 above. Remuneration for Group employees, including management, is determined by reference to market rates and includes performance-based incentives. All employees are eligible to participate in the Group Performance Share Plan. During and since the end of the financial period, no shares have been issued under the Plan and the performance hurdles have yet to be established.

Particulars of remuneration of the Directors and each of the five highest paid executives of the Group for the period 19 February 2004 to 30 June 2004, including all monetary and non-monetary components, are set out in the Directors' Report.

## **Remuneration of Non-executive Directors**

Remuneration of Non-executive Directors is determined in aggregate by shareholders in general meeting. The Board of Directors determines individual fees within the aggregate level, having regard to the number of Directors and their respective roles and responsibilities. Particulars of the remuneration of each CyGenics Non-executive Director for the period 19 February 2004 to 30 June 2004, including all monetary and non-monetary components, are set out in the Directors' Report.

## **ASX Principle 10: Recognise the legal rights of stakeholders**

The Board is committed to delivering maximum share value to the Company's shareholders while maintaining high standards of employment, full compliance with relevant legislation, actively contributing to the betterment of the community, and meeting the Company's responsibilities to all stakeholders. The Board and management recognise the importance of acting promptly to correct any deficiencies that may be identified before such deficiencies adversely impact upon the performance of the Group.

# Directors' Report

The directors of CyGenics Ltd submit herewith the annual financial report of the Company for the financial period from 19 February 2004 (date of incorporation) to 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial period are:

Name	Particulars
Christopher Maxwell Fullerton BEc	Chairman (non-executive), appointed on 16 April 2004. Chris is the Managing Director of Mandalay Capital Pty Ltd, an investor in listed securities and private equity. He has extensive experience in investment, management and investment banking and worked in Hong Kong and Singapore for 15 years before returning to Australia in 1992. He holds a Bachelor of Economics degree from Sydney University and qualified as a Chartered Accountant. Currently, he is the Chairman of Health Communication Network, a listed Australian developer and distributor of software applications to support health decisions. His previous directorships in Australia include Standard Chartered Australia, Alliance Properties, Federal Airports Corporation and Executive Chairmanship of Crossfield InTech, a development capital investor focusing on the IT sector.
Steven Fang (Boon Sing Fang) CIM (UK), MBA	Executive Director, appointed on 19 February 2004. Steven founded CordLife Pte Ltd in Singapore in 2001 and negotiated the merger with Cytomatrix LLC, leading to the establishment of CyGenics Ltd. He has great depth of knowledge of the healthcare provider business, with over 15 years of sales and business development experience in the USA and Asia Pacific region. He previously worked for Sterling Withthrop, Baxter and Becton Dickinson, having undertaken business development assignments in Malaysia, Korea, Taiwan and the Philippines, including the establishment of private dialysis centers. At Becton Dickinson he was the General Manager for Singapore, Malaysia and Vietnam. Steven has a first degree in Computer Engineering and completed his MBA with the University of Hull (UK) in business strategy.
Ian David Brown GDip.BA, GAICD, FAIM	Executive Director, appointed on 19 February 2004. Ian has more than 18 years experience in health sciences business development, both in Australia and internationally. Ian's career commenced with Helena Laboratories in Australia. Later he joined Chromogenix AB (previously Kabi Pharmacia) as the Asia Pacific Regional Manager. He was subsequently seconded to Sweden to take up the position of Marketing Manager - Chromogenix AB and was later appointed Director – Chromogenix Strategic Business Unit at Instrumentation Laboratory SpA in Milan, Italy. Ian has a Graduate Diploma of Business Administration and has completed the International Executive Programme at INSEAD (Fontainebleau, France) and is currently working to complete an MBA at Mt Eliza Business School. He is a Graduate of the Australian Institute of Company Directors (GAICD) and a Fellow of the Australian Institute of Management (FAIM).

# Directors' Report

Name	Particulars
<p>Dr Mark Pykett VMD, PhD, MBA</p>	<p>Executive Director, appointed on 24 February 2004. President of CyGenics Ltd and Cytomatrix LLC, Dr Pykett is responsible for guiding the daily operations and strategic development of the company in the USA. His management role includes coordination of the company's technical and commercialisation programmes, grants and contracts unit. He also oversees the quality, regulatory and clinical trials units and intellectual property functions. He has particular experience in the development of early stage biomedical technologies. Dr Pykett graduated Phi Beta Kappa, Summa Cum Laude from Amherst College, holds a veterinary degree (Phi Zeta, Summa Cum Laude) and a doctorate in molecular biology from the University of Pennsylvania and received an MBA degree Beta Gamma Sigma from Northeastern University. He completed post-doctoral fellowships at the University of Pennsylvania and Harvard University. In his basic science research, Dr Pykett focused on understanding the molecular basis of cancer. Dr Pykett held an adjunct faculty position at the Harvard School of Public Health from 1997 to 2002.</p>
<p>Dr Anthony Guan Cheow Soh MBBS (Singapore), PG Dip. Aud (Australia)</p>	<p>Non-executive Director, appointed on 24 February 2004. Prior to founding and leading Asia Pacific Venture Capital in several high profile investment transactions, Dr Soh was a Director of UOB BioVentures, responsible for some key life science investments and the setting up of a new fund and a Joint Venture fund with a China venture capitalist company. Previously, he was the Senior VP of a Hong Kong listed healthcare company responsible for evaluation of acquisition/ investment in the Greater China region. Prior to his Hong Kong experience, he was the Regional General Manager of Havas Medimedia, a global medical communication company. He had earlier founded a medical device company and a medical portal which he sold to the Havas Medimedia group. He has been a successful western-trained physician, an entrepreneur and a senior manager with multinationals and brings with him extensive experience and knowhow in the healthcare, pharmaceutical and life sciences sector in the Asia Pacific and Greater China markets.</p>
<p>Eileen Tay (Bee Kiew Tan) BAcc (Hons), FCPA (Australia)</p>	<p>Non-executive Director, appointed on 24 February 2004. Eileen has 29 years experience in the public accounting field. She was a Partner of KPMG Singapore. Her professional work has included audit, tax, due diligence, public listing, business advisory, mergers and acquisitions as well as share valuation and receivership. Significant clients included listed companies, banks, financial institutions, shipping, trading, manufacturing and property companies as well as life and general insurance companies. Eileen is also an Independent Director and the Chairperson of the Audit Committee of a listed company in the telecommunications industry. Eileen holds an Honours Degree in Accountancy from the University of Singapore. She is also a Fellow CPA Australia, a member of the Institute of Certified Public Accountants of Singapore and an Associate of the Chartered Institute of Management Accountants, UK.</p>

# Directors' Report

The above named directors held office during and since the end of the financial period. Apart from the above, Robert Frasca was appointed as director on 19 February 2004 and he resigned on 16 April 2004. He did not receive any remuneration during the financial period and did not hold any shares, debentures, rights or options in shares or debentures of the company or a related body corporate as at the date of this report. He did not attend any directors' meeting during the financial period.

The Company Secretary, Andrew Lord (BSc, LLB), was appointed on 16 April 2004. He is a member of the Law Institute of Victoria and is admitted as a Barrister and Solicitor to the High Court of Australia and the Supreme Court of Victoria. He is an independent contractor of the Company and invoices the Company from time to time based on hours worked on an hourly rate.

## Principal activities

The Company and its controlled entities' ("consolidated entity") principal activities in the course of the financial period were providing services, devices and facilities for storing, replicating, cataloguing, harvesting, researching and developing applications for stem cell, stem cell-related derivatives and adult somatic cells, and their related therapies.

## Review of operations

CyGenics Ltd was incorporated on 19 February 2004. It acquired the businesses of CordLife Pte Ltd and its controlled entities (including Cytomatrix LLC and Cell Sciences Pte Ltd) on 15 June 2004 as a part of restructuring of the group's businesses. The details of the entities controlled by CyGenics Ltd are set out in Note 20 to the Financial Statements.

The consolidated entity's net loss for the financial period from 19 February 2004 to 30 June 2004 was \$449,048. This represents the results of operations of CyGenics Ltd for the period from 19 February 2004 to 30 June 2004, including the results of operations of the controlled entities of CyGenics Ltd for the post-acquisition period from 15 June 2004 to 30 June 2004. As a result, only 15 days revenue of CyGenics Ltd's controlled entities (including CordLife Pte Ltd, Cytomatrix LLC and Cell Sciences Pte Ltd) has been considered for accounting purposes in the consolidated entity's statement of financial performance. The result of the financial period accounts for all costs pertaining to CyGenics Ltd from the date of incorporation to 30 June 2004, including restructuring costs.

The loss for the period arose mainly from costs associated with the restructuring of the group and the Initial Public Offering ("IPO") that were not able to be included as transactions costs arising on the issue of equity.

No comparative amounts have been stated in the financial statements as this is the first year of operation for the consolidated entity and the Company. While no comparisons can be drawn with previous period amounts for the revenue of the consolidated entity, it is to be noted that the proforma revenue of the businesses acquired by the consolidated entity for the period 1 January 2004 to 30 June 2004 are consistent with the proforma revenue of the previous six-month period ended 31 December 2003. The proforma revenue from sale of goods and rendering of services for the six-month period ended 30 June 2004 was approximately \$720,000 as compared to approximately \$718,000 (after adjustment for trade discounts given on rendering of services of approximately \$156,000) for the previous six-month period ended 31 December 2003. The proforma revenue from Government grants and contracts for the six-month period ended 30 June 2004 was approximately \$793,000 as compared to approximately \$609,000 for the previous six-month period ended 31 December 2003.

# Directors' Report

The two key events to highlight for the financial period are as follows:

- (a) Restructuring of CordLife Pte Ltd, Cytomatrix LLC and its controlled entities under CyGenics Ltd - The group of companies undertook a restructuring exercise to re-organise the combined entities of CordLife Pte Ltd and Cytomatrix LLC under CyGenics Ltd. This exercise was undertaken with professional service support from legal advisors and accountants in Australia, Singapore and the USA. The restructuring exercise was completed on 21 June 2004.
- (b) Initial Public Offering of CyGenics Ltd on the Australian Stock Exchange ("ASX") – After appointment of the underwriter, the company made its listing submission to the ASX and following clarification exchange between ASX and the Company, formal approval for listing was given on 16 June 2004. CyGenics Ltd was listed on the Australian Stock Exchange on 18 June 2004 after its IPO of 18,000,000 shares at \$1 each with a total equity base of 68,000,000 shares of \$1 each.

## **Changes in state of affairs**

During the financial period there was no significant change in the state of affairs of the consolidated entity other than that referred to above or in the financial statements or notes thereto.

## **Subsequent events**

There has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## **Future developments**

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## **Environmental regulations**

The Company's controlled entities are involved in scientific research and development and the activities do not create any significant environmental impact to any material extent. The scientific research activities are in full compliance with all prescribed environmental regulations.

## **Dividends**

The Company did not pay any dividends during the financial period. The Directors do not recommend the payment of a dividend in respect of the financial period.

## **Share options**

During and since the end of the financial period no share options were granted to the directors and executives of the Company.

# Directors' Report

## Performance share plan

A Performance Share Plan ("Plan") was introduced on 5 May 2004 to foster an ownership culture within the consolidated entity and to motivate employees and directors to achieve performance targets of their respective business units. The Plan is administered by the Remuneration Committee. The directors and selected employees of CyGenics Ltd and its controlled entities are eligible to participate in the Plan, at the absolute discretion of the Remuneration Committee.

The aggregate number of shares which may be issued pursuant to Awards granted under the Plan shall not exceed 6,500,000 shares.

During and since the end of the financial period, no shares have been issued under the Plan and the performance hurdles are yet to be established.

## Indemnification of officers and auditors

The Company has not, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial period and the number of meetings attended by each director (while they were a director or committee member). During the financial period, 6 Board meetings, 1 Audit Committee meeting, 1 Nomination Committee meeting and 1 Remuneration Committee meeting were held.

Directors	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chris Fullerton	6	5	-	-	1	1	1	1
Steven Fang	6	6	-	-	-	-	1	1
Ian Brown	6	6	-	-	-	-	-	-
Mark Pykett	6	6	-	-	-	-	-	-
Anthony Soh	6	6	1	1	1	1	1	1
Eileen Tay	6	6	1	1	1	1	-	-

## Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares	Partly paid ordinary shares	Fully paid converting preference shares	Executive share options	Convertible notes
<i>CyGenics Ltd</i>					
Chris Fullerton	1,116,463	-	-	-	-
Steven Fang	8,709,960	-	-	-	-
Ian Brown	209,864	-	-	-	-
Mark Pykett	2,142,933	-	-	-	-
Anthony Soh	5,448,499	-	-	-	-
Eileen Tay	-	-	-	-	-

# Directors' Report

## Directors' and Executives' remuneration

The Remuneration Committee reviews the remuneration packages of all directors and officers on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages contain the following key elements:

- Primary benefits - salary/fees, bonuses and non-monetary benefits including health benefits;
- Post-employment benefits - including superannuation and prescribed retirement benefits;
- Equity - performance share plan; and
- Other benefits.

The following table discloses the remuneration of the directors of the Company:

Director	Primary			Post Employment			Equity	Other benefits \$	Total \$
	Salary & fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$		
<b>Executive directors</b>									
Steven Fang	44,167	-	-	1,198	-	-	-	-	45,365
Ian Brown	23,058	-	-	2,076	-	-	-	-	25,134
Mark Pykett	43,329	-	-	-	-	-	-	-	43,329
<b>Non-executive directors</b>									
Chris Fullerton	9,516	-	-	856	-	-	-	-	10,372
Anthony Soh	7,137	-	-	-	-	-	-	-	7,137
Eileen Tay	7,137	-	-	-	-	-	-	-	7,137

The following table discloses the remuneration of the 5 highest remunerated executives of the Company and of the consolidated entity:

Executives	Primary			Post Employment			Equity	Other benefits \$	Total \$
	Salary & fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$		
<b>Company</b>									
Jeremy Yee	25,134	-	-	1,198	-	-	-	-	26,332
<b>Consolidated entity</b>									
Michael Rosenzweig	9,805	-	-	-	-	-	-	-	9,805
Jennifer Fraser	3,789	-	-	-	-	-	-	-	3,789
Leung Kai Yin	3,025	-	-	298	-	-	-	-	3,323
Ho Choon Hou	2,831	-	-	298	-	-	-	-	3,129

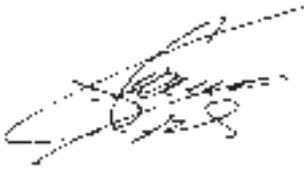
# Directors' Report

## **Proceedings on behalf of the company**

There were no proceedings on behalf of the Company during or since the financial period.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Steven Fang', with a horizontal line underneath.

*Steven Fang*  
Director  
*Melbourne, 28 September 2004*

# Independent Audit Report

## Deloitte

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### INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CYGENICS LTD

#### Scope

##### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both CyGenics Ltd (the company) and the consolidated entity, for the financial period ended 30 June 2004 as set out on pages 37 to 61. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit approach*

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

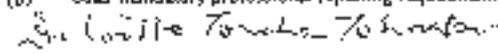
##### *Independence*

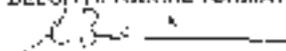
In conducting our audit, we followed applicable independence requirements of Australian professional ethical requirements and the Corporations Act 2001.

##### *Audit Opinion*

In our opinion, the financial report of CyGenics Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the financial period ended on that date, and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

  
DELOITTE TOUCHE TOHMATSU

  
Chris Biermann  
Partner  
Chartered Accountants  
Melbourne, 28 September 2004

The audit of Deloitte Touche Tohmatsu, is carried by, and to the extent of, the Auditor's Scheme under the Professional Services Act 1998 (PSVA)

Member of  
Deloitte Touche Tohmatsu

# Directors' Declaration

The directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



*Steven Fang*  
Director  
*Melbourne, 28 September 2004*

# Statement of Financial Performance

for the financial period from 19 February 2004 to 30 June 2004

		Consolidated	Company
	Note	2004 \$	2004 \$
Revenue from the sale of goods and rendering of services	2	45,781	-
Cost of sales		(43,898)	-
<b>Gross profit</b>		<b>1,883</b>	<b>-</b>
Other revenue from ordinary activities	2	164,488	62,696
Distribution and marketing expenses		(105,200)	(75,494)
Administration expenses		(504,024)	(272,113)
Borrowing costs	2	(6,195)	-
<b>Loss from ordinary activities before income tax expense</b>	2	<b>(449,048)</b>	<b>(284,911)</b>
Income tax expense relating to ordinary activities	3	-	-
<b>Net loss</b>		<b>(449,048)</b>	<b>(284,911)</b>
Net exchange differences recognised in equity – foreign currency translation reserve	15	(396,706)	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(845,754)</b>	<b>(284,911)</b>
<b>Earnings per share:</b>			
Basic and diluted (cents per share)	17	<b>(5.7)</b>	

Notes to the financial statement are included on pages 41 to 61.

# Statement of Financial Position

as at 30 June 2004

		<b>Consolidated</b>	<b>Company</b>
		<b>2004</b>	<b>2004</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash assets		20,183,652	16,390,570
Receivables	6	848,776	294,708
Inventories	7	125,603	-
		<hr/>	<hr/>
<b>Total current assets</b>		<b>21,158,031</b>	<b>16,685,278</b>
<b>Non-current assets</b>			
Other financial assets	8	-	50,000,002
Property, plant and equipment	9	537,705	-
Intangibles	10	47,566,710	-
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>48,104,415</b>	<b>50,000,002</b>
<b>Total assets</b>		<b>69,262,446</b>	<b>66,685,280</b>
<b>Current liabilities</b>			
Payables	11	2,585,276	1,095,192
Amounts due to controlled entities		-	527,365
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>2,585,276</b>	<b>1,622,557</b>
<b>Non-current liabilities</b>			
Payables	12	2,175,290	-
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>2,175,290</b>	<b>-</b>
<b>Total liabilities</b>		<b>4,760,566</b>	<b>1,622,557</b>
<b>Net assets</b>		<b>64,501,880</b>	<b>65,062,723</b>
<b>Equity</b>			
Contributed equity	14	65,347,634	65,347,634
Reserves	15	(396,706)	-
Accumulated losses	16	(449,048)	(284,911)
		<hr/>	<hr/>
<b>Total equity</b>		<b>64,501,880</b>	<b>65,062,723</b>

Notes to the financial statement are included on pages 41 to 61.

# Statement of Cash Flows

for the financial period from 19 February 2004 to 30 June 2004

		<b>Consolidated</b>	<b>Company</b>
	<b>Note</b>	<b>2004</b>	<b>2004</b>
		<b>\$</b>	<b>\$</b>
<b><i>Cash flows from operating activities</i></b>			
Receipts from customers and grants		382,486	-
Payments to suppliers and employees		(485,187)	(60)
Interest and bill discounts received		1,554	1,515
Net cash used in operating activities	25(d)	<b>(101,147)</b>	<b>1,455</b>
<b><i>Cash flows from investing activities</i></b>			
Cash inflow on acquisition of businesses	25(b)	3,905,071	-
Net cash provided by investing activities		<b>3,905,071</b>	-
<b><i>Cash flows from financing activities</i></b>			
Proceeds from issues of equity securities		18,000,000	18,000,000
Payment for share issue costs		(1,610,885)	(1,610,885)
Net cash provided by financing activities		<b>16,389,115</b>	<b>16,389,115</b>
<b><i>Net increase in cash held</i></b>		<b>20,193,039</b>	<b>16,390,570</b>
<b><i>Cash at the beginning of the financial period</i></b>			
Effects of exchange rate changes on the balance of cash held in foreign currencies		(9,387)	-
<b><i>Cash at the end of the financial period</i></b>	25(a)	<b>20,183,652</b>	<b>16,390,570</b>

Notes to the financial statement are included on pages 41 to 61.

# Notes to the Financial Statements

## 1. Summary of accounting policies

### **Financial reporting framework**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### **Significant accounting policies**

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

(a) *Accounts payable*

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) *Acquisition of assets*

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(c) *Comparative amounts*

No comparative amounts have been stated as this is the first year of operation for the consolidated entity and the Company.

(d) *Date of incorporation*

The company was incorporated on 19 February 2004 and accordingly only current year figures covering the period from incorporation are shown.

(e) *Depreciation*

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

- Furniture and fittings 5 years
- Plant and equipment 3 years
- Leasehold improvements 3 years

# Notes to the Financial Statements

## 1. Summary of accounting policies (cont'd)

### (f) *Employee benefits*

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

Provisions made in respect of wages and salaries, annual leave, sick leave and long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

### (g) *Financial instruments issued by the company*

#### Debt and equity instruments

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

#### Transaction costs on the issue of equity instruments

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

#### Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

### (h) *Foreign currency*

#### Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in net profit or loss in the period in which they arise.

#### Foreign operations

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation are transferred on consolidation to the foreign currency translation reserve.

# Notes to the Financial Statements

## 1. Summary of accounting policies (cont'd)

### (h) *Foreign currency (cont'd)*

#### Foreign operations (cont'd)

Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are taken directly to the foreign currency translation reserve.

### (i) *Goods and services tax*

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

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

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

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

### (j) *Goodwill*

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years.

### (k) *Income tax*

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

### (l) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis.

### (m) *Investments*

Investments in controlled entities are recorded at cost. Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

# Notes to the Financial Statements

## 1. Summary of accounting policies (cont'd)

### (n) *Leased assets*

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

### (o) *Patents and licenses*

Patents and licenses are initially recorded at cost and are amortised on a straight line basis over the period of expected benefit, which is 5 years in the case of licenses and 14 to 16 years in case of patents.

### (p) *Principles of Consolidation*

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 20 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

### (q) *Provisions*

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

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

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

### *Dividends*

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors on or before the reporting date.

# Notes to the Financial Statements

## 1. Summary of accounting policies (cont'd)

(r) *Receivables*

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(s) *Recoverable amount of non-current assets*

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value.

(t) *Research and development costs*

Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt, to be recoverable.

Any deferred research and development costs are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial production of the product.

The unamortised balance of research and development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are no longer considered recoverable, they are written-off as an expense in net profit or loss.

Government grants received or receivable in relation to research and development costs, which are deferred, are deducted from the carrying amount. Grants received or receivable in relation to research and development costs, which are recognised as an expense during the current or previous periods, are recognised as revenue in net profit or loss.

(u) *Revenue recognition*

*Sale of goods and disposal of assets*

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

*Rendering of services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

# Notes to the Financial Statements

	Consolidated 2004 \$	Company 2004 \$
<b>2. Loss from ordinary activities</b>		
Loss from ordinary activities before income tax includes the following items of revenue and expense:		
<b>(a) Operating revenue</b>		
Revenue from the sale of goods	3,840	–
Revenue from the rendering of services	41,941	–
	<u>45,781</u>	<u>–</u>
Government grants and contracts	99,111	–
Interest income from banks	60,896	60,681
Foreign exchange gain	4,481	2,015
	<u>164,488</u>	<u>62,696</u>
<b>Total revenue from ordinary activities</b>	<b><u>210,269</u></b>	<b><u>62,696</u></b>
<b>(b) Expenses</b>		
Cost of sales	43,898	–
Borrowing costs:		
Interest:		
Other entities	6,195	–
Depreciation of non-current assets		
Property, plant and equipment	11,063	–
Amortisation of non-current assets:		
Patents	16,816	–
Licenses	17,809	–
Operating lease rental expenses:		
Minimum lease payments	16,847	–
Other administration, distribution and marketing expenses:		
Business travel	53,495	53,495
Government stamp duty	49,410	–
Staff costs	<u>191,335</u>	<u>140,159</u>

# Notes to the Financial Statements

### 3. Income tax

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2004 \$	Company 2004 \$
<b><i>Loss from ordinary activities</i></b>	<b>(449,048)</b>	<b>(284,911)</b>
Income tax expense calculated at 30%	(134,714)	(85,473)
<b><i>Permanent differences:</i></b>		
Tax losses and timing differences not brought to account as future income tax benefits	134,714	85,473
Income tax expense relating to ordinary activities	—	—

The taxation benefits of tax losses and timing differences have not been brought to account since it is uncertain whether future assessable income would be derived of a nature and of amount sufficient to enable the benefit from the deductions to be realized.

Future income tax benefits arising from revenue tax losses of the controlled entities not brought to account are in the amount of approximately \$1,783,818.

#### **Tax consolidation system**

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The company and its wholly-owned Australian resident entity are eligible to consolidate for tax purposes under this legislation and the directors of these entities consider it likely that they will elect to implement the tax consolidation system in due course.

However, at the date of this report the directors have not yet finalised an assessment of the financial effect that implementation may have on the company and the consolidated entity. Accordingly, the directors have not made a final formal decision whether or not to implement the tax consolidation system, and if so, from which date implementation would occur.

As a result, only the financial effects of the mandatory aspects of the enabling legislation has been recognised in the financial statements and no adjustment has been made to recognise the financial effects that may result from the implementation of the tax consolidation system.

In the event that the tax consolidation system is implemented, the company is likely to become the “head entity” of the tax-consolidated group.

# Notes to the Financial Statements

## 4. Directors' and executives' remuneration

The specified directors of CyGenics Ltd during the period were:

Chris Fullerton (Chairman, non-executive)

Steven Fang (Director, executive)

Ian Brown (Director, executive)

Mark Pykett (Director, executive)

Anthony Soh (Director, non-executive)

Eileen Tay (Director, non-executive)

Robert Frasca (Director, non-executive), appointed on 19 February 2004 and resigned on 16 April 2004

The specified executives of CyGenics Ltd during the period were:

Jeremy Yee

Michael Rosenzweig

Soren Bested

Simon Lee

Susan Kheng

### ***Specified directors' and specified executives' remuneration***

The remuneration committee reviews the remuneration packages of all specified directors and specified executives on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the company.

2004	Primary			Post Employment			Equity	Other benefits \$	Total \$
	Salary & fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$		
<b><i>Specified directors</i></b>									
Chris Fullerton	9,516	-	-	856	-	-	-	-	10,372
Steven Fang	44,167	-	-	1,198	-	-	-	-	45,365
Ian Brown	23,058	-	-	2,076	-	-	-	-	25,134
Mark Pykett	43,329	-	-	-	-	-	-	-	43,329
Anthony Soh	7,137	-	-	-	-	-	-	-	7,137
Eileen Tay	7,137	-	-	-	-	-	-	-	7,137
Robert Frasca	-	-	-	-	-	-	-	-	-
	<b>134,344</b>	-	-	<b>4,130</b>	-	-	-	-	<b>138,474</b>
<b><i>Specified executives</i></b>									
Jeremy Yee	25,134	-	-	1,198	-	-	-	-	26,332
Michael Rosenzweig	9,805	-	-	-	-	-	-	-	9,805
Soren Bested	2,504	-	-	92	-	-	-	-	2,596
Simon Lee	1,920	-	-	250	-	-	-	-	2,170
Susan Kheng	1,878	-	-	245	-	-	-	-	2,123
	<b>41,241</b>	-	-	<b>1,785</b>	-	-	-	-	<b>43,026</b>

# Notes to the Financial Statements

	Consolidated 2004 \$	Company 2004 \$
<b>5. Remuneration of auditors</b>		
<i><b>Auditor of the parent entity</b></i>		
Auditing the financial report	40,000	40,000
Other services – Initial Public Offering related	324,138	324,138
	<u>364,138</u>	<u>364,138</u>
<i><b>Other auditors</b></i>		
Auditing the financial report	3,943	–
Other services – Initial Public Offering related	4,225	4,225
	<u>8,168</u>	<u>4,225</u>
	<b><u>372,306</u></b>	<b><u>368,363</u></b>
<b>6. Current receivables</b>		
Trade receivables	534,036	–
Allowance for doubtful debts	(5,943)	–
	<u>528,093</u>	<u>–</u>
Goods and services tax (GST) recoverable	242,184	233,368
Other – Interest receivables and other miscellaneous	78,499	61,340
	<b><u>848,776</u></b>	<b><u>294,708</u></b>
<b>7. Current inventories</b>		
<b>Raw materials:</b>		
At cost	4,150	–
<b>Finished goods:</b>		
At cost	121,453	–
	<b><u>125,603</u></b>	<b><u>–</u></b>
<b>8. Other non-current financial assets</b>		
Shares in controlled entities – at cost	–	50,000,002
	<u>–</u>	<b><u>50,000,002</u></b>

# Notes to the Financial Statements

## 9. Property, plant and equipment

	Consolidated			
	Leasehold improvements at cost \$	Furniture and fittings at cost \$	Plant and equipment at cost \$	TOTAL \$
<b>Gross carrying amount</b>				
Balance at 19 February 2004	–	–	–	–
Acquisition of businesses	42,988	147,428	358,352	548,768
Balance at 30 June 2004	<b>42,988</b>	<b>147,428</b>	<b>358,352</b>	<b>548,768</b>
<b>Accumulated depreciation</b>				
Balance at 19 February 2004	–	–	–	–
Depreciation expense	46	2,770	8,247	11,063
Balance at 30 June 2004	<b>46</b>	<b>2,770</b>	<b>8,247</b>	<b>11,063</b>
<b>Net book value</b>				
As at 19 February 2004	–	–	–	–
As at 30 June 2004	<b>42,942</b>	<b>144,658</b>	<b>350,105</b>	<b>537,705</b>

	Consolidated 2004 \$
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:	
Leasehold improvements	46
Furniture and fittings	2,770
Plant and equipment	8,247
	<b>11,063</b>

## 10. Intangibles

Goodwill	27,997,561
Accumulated amortisation	–
	<b>27,997,561</b>
Patents	18,933,362
Accumulated amortisation	(16,816)
	<b>18,916,546</b>
Licenses	670,412
Accumulated amortisation	(17,809)
	<b>652,603</b>
	<b>47,566,710</b>

The aggregate amortisation for the period was \$34,625.

# Notes to the Financial Statements

	Consolidated 2004 \$	Company 2004 \$
<b>11. Current payables</b>		
Trade payables	569,811	–
Goods and services tax (GST) payable	13,533	–
Other – non-trade payables and accruals	2,001,932	1,095,192
	<b>2,585,276</b>	<b>1,095,192</b>
<b>12. Non-current payables</b>		
License fee payable	2,175,290	–
	<b>2,175,290</b>	<b>–</b>
<b>13. Employee benefits</b>		
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Accrued wages and salaries (i)	51,951	39,276
Annual leave entitlements (i)	48,983	–
	<b>100,934</b>	<b>39,276</b>

(i) Accrued wages and salaries and annual leave entitlements are included in the current non-trade payables balance as disclosed in note 11 to the financial report.

	Consolidated 2004 No.	Company 2004 No.
Number of employees at end of financial year	43	4
	<b>Consolidated and Company 2004 \$</b>	
<b>14. Contributed equity</b>		
68,000,000 fully paid ordinary shares	<b>65,347,634</b>	
	<b>2004</b>	
	<b>No.</b>	<b>\$</b>
<b>Fully paid ordinary shares</b>		
Balance at beginning of financial period	–	–
Issue of shares to existing shareholders of CordLife Pte Ltd prior to Initial Public Offering	50,000,000	50,000,000
Issue of shares on Initial Public Offering	18,000,000	18,000,000
Transactions costs related to issue of shares	–	(2,652,366)
Balance at end of financial period	<b>68,000,000</b>	<b>65,347,634</b>

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

# Notes to the Financial Statements

	Consolidated 2004 \$	Company 2004 \$
<b>15. Reserves</b>		
Foreign currency translation	(396,706)	–
	<b>(396,706)</b>	<b>–</b>
<b>Foreign currency translation reserve</b>		
Balance at beginning of financial period	–	–
Translation of foreign operations	(396,706)	–
Balance at end of financial period	<b>(396,706)</b>	<b>–</b>

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in note 1(h).

	Consolidated 2004 \$	Company 2004 \$
<b>16. Accumulated losses</b>		
Balance at beginning of financial period	–	–
Net loss attributable to members of the parent entity	(449,048)	(284,911)
Balance at end of financial period	<b>(449,048)</b>	<b>(284,911)</b>

## 17. Earnings per share

	Consolidated 2004 Cents per share
Basic and diluted earnings per share	(5.7)

### Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2004 \$
Net loss	<b>449,048</b>
	2004 No.
Weighted average number of ordinary shares	<b>7,833,333</b>

There is no difference between the basic and diluted earnings per share because there were no potential ordinary shares which could be considered dilutive during the financial period. Further, there are no potential ordinary shares which are not considered dilutive.

# Notes to the Financial Statements

## 18. Commitments for expenditure

### *Lease commitments*

Non-cancellable operating lease commitments are disclosed in note 19 to the financial statements.

There are no other commitments for expenditure at the balance sheet date.

## 19. Leases

### *Leasing arrangements*

Operating leases relate to office premises with lease terms of between 3 to 4 years, with an option to extend for a further 3 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated 2004 \$	Company 2004 \$
<i>Non-cancellable operating leases</i>		
Not longer than 1 year	333,542	–
Longer than 1 year and not longer than 5 years	797,830	–
Longer than 5 years	–	–
	<b>1,131,372</b>	<b>–</b>

## 20. Controlled entities

Name of entity	Country of incorporation	Ownership interest 2004 %
<b>Parent entity</b>		
CyGenics Ltd	Australia	
<b>Controlled entities</b>		
CordLife Pte Ltd	Singapore	100
Cell Sciences Pte Ltd	Singapore	100
Cytomatrix LLC	USA	100
Cell Sciences Therapeutics Inc	USA	100
CordLife (M) Sdn Bhd	Malaysia	100
CordLife Pty Ltd	Australia	100
Yue Kang Biotechnology Development Co. Ltd (under voluntary liquidation) (i)	Peoples Republic of China	70
Shanghai CordLife Stem Cell Research Co. Ltd	Peoples Republic of China	100
CordLife (Hong Kong) Ltd	Hong Kong	100

(i) This company does not have any assets, liabilities or operations. Accordingly, no outside equity interests have been shown in the Financial Report.

# Notes to the Financial Statements

## 21. Acquisition of businesses

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition \$
<i>Controlled entities</i> CordLife Pte Ltd and its controlled entities	Providing services, devices and facilities for storing, replicating, cataloguing, harvesting, researching and developing applications for stem cell, stem cell-related derivatives and adult somatic cells, and their related therapies.	15 June 2004	100	50,000,000
				<b>50,000,000</b>

Further details of the acquisition of businesses are disclosed in note 25(b) to the financial statements.

## 22. Segment information

### Segment revenues

	External sales 2004 \$	Inter-segment 2004 \$	Other 2004 \$	Total 2004 \$
Cord blood banking	41,941	–	40,944	82,885
Cell therapeutics	58,167	–	–	58,167
Research products	3,840	–	–	3,840
Total of all segments				144,892
Eliminations				–
Unallocated				65,377
Consolidated				<b>210,269</b>

### Segment results

	2004 \$
Cord blood banking	(127,584)
Cell therapeutics	(31,847)
Research products	(4,706)
Total of all segments	(164,137)
Eliminations	–
Unallocated	(284,911)
Loss from ordinary activities before income tax expense	(449,048)
Income tax expense relating to ordinary activities	–
Net loss	<b>(449,048)</b>

# Notes to the Financial Statements

## 22. Segment information (cont'd)

### *Segment assets and liabilities*

	<b>Assets 2004 \$</b>	<b>Liabilities 2004 \$</b>
Cord blood banking	6,301,103	365,771
Cell therapeutics	19,893,925	4,497,155
Research products	244,364	475,117
Total of all segments	26,439,392	5,338,043
Eliminations	(1,859,785)	(1,672,669)
Unallocated	44,682,839	1,095,192
Consolidated	<b>69,262,446</b>	<b>4,760,566</b>

### *Other segment information*

	<b>Cord blood banking 2004 \$</b>	<b>Cell therapeutics 2004 \$</b>	<b>Research products 2004 \$</b>
Depreciation and amortisation of segment assets	5,160	40,528	-

### *Products and services within each business segment*

For management purposes, the consolidated entity is organised into three major operating divisions – cord blood banking, cell therapeutics and research products. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Cord blood banking      Storing of umbilical cord blood samples
- Cell therapeutics      Vaccine screening
- Research products      Stem-cell related products like statamatrix, starwheel.

<b>Geographical segments</b>	<b>Revenue from external customers 2004 \$</b>	<b>Segment assets 2004 \$</b>
Asia	46,422	4,444,776
North America	62,007	20,134,831
Australia	101,840	16,685,278
Unallocated	-	27,997,561
	<b>210,269</b>	<b>69,262,446</b>

# Notes to the Financial Statements

## 22. Segment information (cont'd)

The consolidated entity's three divisions operate in three principal geographical areas – Australia, North America and Asia. The composition of each geographical segment is as follows:

- **Australia** CyGenics group holding company is based in Australia and directs the growth of the group around the world as well as carries out technological development.
- **North America** CyGenics group deals in research products, cell therapeutics and technology development in the US.
- **Asia** CyGenics group operates cord blood banking in Singapore with marketing office in Indonesia.

## 23. Related party and specified executive disclosures (disclosing entities)

### (a) Equity interests in related parties

#### **Equity interests in controlled entities**

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 20 to the financial statements.

### (b) Specified directors' and specified executives' remuneration

Details of specified directors' and specified executives' remuneration are disclosed in note 4 to the financial statements.

### (c) Specified directors' and specified executives' equity holdings

#### Fully paid ordinary shares of CyGenics Ltd

	Balance at 19/2/04 No.	Granted as remuneration No.	Received on exercise of options No.	Received on acquisition No.	Balance at 30/6/04 No.	Balance held nominally No.
<b>Specified directors</b>						
Chris Fullerton	-	-	-	1,116,463	1,116,463	-
Steven Fang	-	-	-	8,709,960	8,709,960	-
Ian Brown	-	-	-	209,864	209,864	-
Mark Pykett	-	-	-	2,142,933	2,142,933	-
Eileen Tay	-	-	-	-	-	-
Anthony Soh	-	-	-	5,448,499	5,448,499	-
Robert Frasca	-	-	-	-	-	-
<b>Specified executives</b>						
Jeremy Yee	-	-	-	321,034	321,034	-
Michael Rosenzweig	-	-	-	2,411,922	2,411,922	-
Soren Bested	-	-	-	347,766	347,766	-
Susan Kheng	-	-	-	426,970	426,970	-
Simon Lee	-	-	-	425,263	425,263	-
	-	-	-	<b>21,560,674</b>	<b>21,560,674</b>	-

# Notes to the Financial Statements

## 24. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## 25. Notes to the Statement of Cash Flows

### (a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated 2004 \$	Company 2004 \$
Cash assets – cash at bank	20,183,652	16,390,570
	<b>20,183,652</b>	<b>16,390,570</b>

### (b) Businesses acquired

Details of acquisitions during the financial year are as follows:

#### Consideration

Ordinary shares	50,000,000	–
	<b>50,000,000</b>	<b>–</b>

#### Fair value of net assets acquired

Current assets:		
Cash	3,905,071	–
Receivables	997,811	–
Inventories	140,473	–
Non-current assets:		
Patents	18,933,362	
Licenses	670,412	
Property, plant and equipment	548,768	–
Current liabilities		
Payables	(1,070,190)	–
Non-current liabilities:		
Payables	(2,123,268)	–
Net assets acquired	22,002,439	–
Goodwill on acquisition	27,997,561	–
	<b>50,000,000</b>	<b>–</b>
<b>Net cash inflow on acquisition</b>		
Cash consideration	–	–
Less cash balances acquired	(3,905,071)	–
	<b>(3,905,071)</b>	<b>–</b>

# Notes to the Financial Statements

	Consolidated 2004 \$	Company 2004 \$
<b>25. Notes to the Statement of Cash Flows (cont'd)</b>		
<i>(c) Financing facilities</i>		
Unsecured bank overdraft facility, reviewed annually and payable at call:		
<ul style="list-style-type: none"> <li>● amount used</li> <li>● amount unused</li> </ul>	<p style="text-align: center;">–</p> <p style="text-align: center;">422,500</p> <hr/> <p style="text-align: center;"><b>422,500</b></p>	<p style="text-align: center;">–</p> <p style="text-align: center;">–</p> <hr/> <p style="text-align: center;">–</p>
<i>(d) Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities</i>		
Loss from ordinary activities after related income tax	(449,048)	(284,911)
Depreciation and amortisation of non-current assets	45,688	–
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Current receivables	149,035	(61,241)
Current inventories	14,870	–
Increase/(decrease) in liabilities:		
Current payables	138,308	347,607
Net cash from operating activities	<b>(101,147)</b>	<b>1,455</b>

# Notes to the Financial Statements

## 26. Financial instruments

### (a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

### (b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

### (c) Interest rate risk

The consolidated entity had a cash balance of \$20,183,652 at 30 June 2004 earning a variable interest rate of approximately 4%. The consolidated entity had no other significant interest-bearing financial assets or liabilities.

### (d) Net fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values.

The net fair values of financial assets and financial liabilities are determined as follows:

- the net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

## 27. Contingent liabilities

On 1 December 1998, Cytomatrix LLC entered into a license agreement with the General Hospital Corporation (“GHC”) under which royalties would be payable to GHC at rates ranging between 0.2% and 0.75% on revenues earned in respect of certain inventions related to International Patent Application with the title of “Lymphoid Tissue-Specific Cell Production from Hematopoietic Progenitor Cells in Three-Dimensional Devices”.

## 28. Impact of adoption of Australian equivalents to International Financial Reporting Standards

In accordance with the Financial Reporting Council's strategic directive, CyGenics Ltd will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, CyGenics Ltd's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

At the date of this report, the directors of CyGenics Ltd have not yet finalised a high-level assessment of the impact of A-IFRS on the consolidated entity, and consequently have not yet determined how they are going to manage the transition to A-IFRS. However, the directors are monitoring the developments in A-IFRS and the potential impact it will have on the consolidated entity, and expect to complete an impact study and commence a plan to prepare the consolidated entity to be A-IFRS compliant shortly.

While no decision has yet been made as to the policy alternatives to be applied or the extent to which it will affect the consolidated entity, the directors of CyGenics Ltd have identified, based on existing differences between Australian GAAP and A-IFRS, that CyGenics Ltd expects that the introduction of A-IFRS will have an impact on its financial statements. CyGenics Ltd currently expects that the most significant impact of A-IFRS will be in relation to the accounting treatments of business combinations, taxation and intangibles.

CyGenics Ltd has identified the above as being the significant areas of differences affecting the consolidated entity on adoption of A-IFRS. This does not represent an exhaustive list of the differences that will arise, and further analysis may change the consolidated entity's assessment of the importance or otherwise of the various differences.

## 29. Dividends

The company did not pay any dividends during the financial period. The Directors do not recommend the payment of a dividend in respect of the financial period.

Adjusted franking account balance (tax paid basis) is Nil.

## 30. Performance share plan

A Performance Share Plan ("Plan") was introduced on 5 May 2004 to foster an ownership culture within the consolidated entity and to motivate employees and directors to achieve performance targets of their respective business units. The Plan is administered by the Remuneration Committee. The directors and selected employees of CyGenics Ltd and its controlled entities are eligible to participate in the Plan, at the absolute discretion of the Remuneration Committee.

The aggregate number of shares which may be issued pursuant to Awards granted under the Plan shall not exceed 6,500,000 shares.

During and since the end of the financial period, no shares have been issued under the Plan and the performance hurdles have yet to be established.

# Notes to the Financial Statements

## 31. Additional company information

CyGenics Ltd is a listed public company, incorporated in Australia and operating in Australia, North America and Asia.

### ***Registered Office and Principal Place of Business***

Level 4, 414 Lonsdale Street  
Melbourne, Victoria 3000  
Australia

# Additional Stock Exchange Information

as at 20 September 2004

*Number of holders of equity securities*

**Ordinary share capital**

- 68,000,000 fully paid ordinary shares are held by 540 individual shareholders.

All issued ordinary shares carry one vote per share.

*Distribution of holders of equity securities*

		Fully paid ordinary shares
1	- 1,000	38
1,001	- 5,000	254
5,001	- 10,000	53
10,001	- 100,000	136
100,001	and over	59
		<b>540</b>
Holding less than a marketable parcel		-

*Securities subject to escrow*

Details of number and class of securities subject to escrow that are on issue and the dates that the escrow periods end are set out below:

Fully paid ordinary shares	Date that the escrow period ends
30,345,783	18 December 2004
1,727,722	30 January 2005
698,036	10 March 2005
465,203	1 June 2005
16,763,256	18 June 2006
<b>50,000,000</b>	

# Additional Stock Exchange Information

as at 20 September 2004

<i>Substantial shareholders</i>		
	<b>Fully paid</b>	
Ordinary shareholders	<b>Number</b>	<b>Percentage</b>
BOON SING FANG	8,709,960	<b>12.81%</b>
TANTALUM CELLULAR PRODUCTS LLC	7,434,026	<b>10.93%</b>
NEFCO NOMINEES PTY LTD	3,865,000	<b>5.68%</b>
TAR CHOON AW	3,721,542	<b>5.47%</b>
	<b>23,730,528</b>	<b>34.89%</b>

<i>Twenty largest holders of quoted equity securities</i>		
	<b>Fully paid</b>	
Ordinary shareholders	<b>Number</b>	<b>Percentage</b>
BOON SING FANG	8,709,960	<b>12.81%</b>
TANTALUM CELLULAR PRODUCTS LLC	7,434,026	<b>10.93%</b>
NEFCO NOMINEES PTY LTD	3,865,000	<b>5.68%</b>
TAR CHOON AW	3,721,542	<b>5.47%</b>
QUEENSLAND INVESTMENT CORPORATION	3,123,264	<b>4.59%</b>
ASIA PACIFIC VENTURE CAPITAL PTE LTD	2,967,471	<b>4.36%</b>
ASIA PACIFIC LINKS LTD	2,481,028	<b>3.65%</b>
UOB VENTURE BIO INVESTMENTS PTE LTD	2,431,041	<b>3.58%</b>
MICHAEL ROSENZWEIG	2,411,922	<b>3.55%</b>
MARK J PYKETT REVOCABLE TRUST 2002	2,123,968	<b>3.12%</b>
UOB CAPITAL INVESTMENTS PTE LTD	1,999,365	<b>2.94%</b>
EQUITY TRUSTEES LIMITED	1,500,000	<b>2.21%</b>
NATIONAL NOMINEES LIMITED	1,420,000	<b>2.09%</b>
ARROW ASIA OPPURTUNITY FUND LTD	1,240,514	<b>1.82%</b>
TIONG AIK CORPORATION PTE LTD	1,240,514	<b>1.82%</b>
WESTPAC CUSTODIAN NOMINEES LIMITED	1,170,857	<b>1.72%</b>
MANDALAY CAPITAL PTY LTD	1,116,463	<b>1.64%</b>
ANZ NOMINEES LIMITED	877,076	<b>1.29%</b>
BEE KEE CHEONG CHNG	868,000	<b>1.28%</b>
CHRISTOPHER HAN SIONG HO	682,283	<b>1.00%</b>

# Additional Stock Exchange Information

as at 20 September 2004

## ***Company secretary***

Mr Andrew Lord  
Campbell Lord  
Commercial Lawyers  
Level 4, 414 Lonsdale Street  
Melbourne, Victoria 3000  
Australia

## ***Registered office and Principal administration office***

Level 4, 414 Lonsdale Street  
Melbourne, Victoria 3000  
Australia  
Tel: +61 (0) 3 9642 5580

## ***Share registry***

ASX Perpetual Registrars Ltd  
Level 4, 333 Collins Street  
Melbourne, Victoria 3000  
Australia  
Tel: +61 (0) 3 9615 9932

## ***Other ASX information for recently listed entities***

The consolidated entity used the cash that it had at the time of admission to the ASX in a way which is consistent with its business objectives.



Today's **Technology**  
Tomorrow's **Therapy**



CyGenics Ltd  
Level 4  
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