

CyGenics Ltd

ABN 48 108 051 529

A N N U A L R E P O R T 2 0 0 6



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



CyGenics

Providing the highest quality tissue
and cord blood banking services

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Company Information

Directors

Mr Christopher Fullerton - Chairman
Mr Steven Fang - Executive Director
Mr Ian Brown - Executive Director
Mr Alberto Bautista - Non Executive Director
Mr Christopher Ho - Non Executive Director
Mrs Eileen Tay - Non Executive Director

Chief Financial Officer

Mr Jeremy Yee

Company Secretary

Mr Andrew Lord
Lovegrove Lord & Johnston
Commercial & Construction Lawyers
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Registered Office

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Share Registry

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Home Stock Exchange

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Auditors

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Australian Legal Advisor

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Hong Kong Legal Advisor

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United Kingdom

Positioning Statement

CyGenics is a healthcare company focussed on tissue and cord blood banking.

The business addresses demand in significantly growing regional healthcare markets with multiple on-going revenue streams.

We have a strong international patent and intellectual property position, which the Company intends to out-license.

We have an experienced Board and Management team.



Chairman's Review



CyGenics' second year as a listed company was busy and challenging. Against a background of sound growth, I am pleased to advise that, following a thorough review of our various businesses, we will in future focus our management and financial resources on our core revenue-generating tissue and cord blood banking businesses.

Our cord blood banking businesses, particularly in Singapore and Southeast Asia, had an outstanding year. Revenue from services rendered increased by 125% over the previous year, with annuity revenue, in the form of annual storage charges, increasing by more than 216% over the previous year. Number of clients signed-up during the year increased by over 73% compared to the previous year; currently, total client numbers exceed 6,500. The figures speak for themselves.

During the year, we established, with a local partner, a cord blood banking operation in India, and we acquired a majority stake in a cord blood bank in Australia. Recently, we formed a joint venture with Kalbe Farma, the large Indonesian pharmaceutical company, to expand our tissue and cord blood banking business in that country.

No other cord blood banking group has the geographical spread of operations that we currently enjoy. These operations centre around our company owned cord blood processing and storage facilities in Hong Kong, covering North Asia, and in Singapore, covering South-east Asia, as well as our out-sourced facility in Sydney to cover the Australian market. This network of banks will be expanded when facilities in Kolkata and Jakarta come on line in 2007. Further, we are actively seeking similar opportunities in China and other major Asian centres.

The second major conclusion from our review of businesses was to wind down expenditure on research and development and to discontinue plans to carry out clinical trials. It became clear to us that, relative to other opportunities, pursuing clinical trials would not maximise shareholder value in the medium term. However, rather than abandoning the potential value embodied in these technologies, we plan to out-license and co-develop specific opportunities with appropriate partners. Such opportunities are now held in a tightly managed technology investment portfolio.

Our management team's continuing high level of commitment and dedication has been second to none and was the key to the sound progress made across the Group. I wish to acknowledge the role of my fellow non-executive directors and thank them for their valuable contribution.

The continuing support of our shareholders has been greatly appreciated, and we remain confident that our revised strategic focus will be reflected in growing shareholder value.



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



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



Mr Alberto Bautista
Non-Executive Director,
CyGenics
BSIE, MBA (MIT)



Mr Christopher Ho
(Ho, Han Siong)
Non-Executive Director,
CyGenics
BSEE



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

Management Team



Chief Executive Officer

Mr Steven Fang

Chief Financial Officer

Mr Jeremy Yee

Chief Operating Officer

Mr Ian Brown

Chief Scientific Officer

Dr Mark Kirkland

Chief Operating Officer CordLife

Ms Susan Kheng

President CytoVations

Dr John Flickinger

General Manager Cell Sciences

Dr John Khong

General Manager CLS Services

Dr Ho Choon Hou

General Manager Hong Kong

Mr Simon Lee

Group Financial Controller

Mr Arijit Mookerjee

Country Head Indonesia

Mr Robert Dharmasaputra

Country Head Thailand

Dr Suthipong Treeratana

Country Head Philippines

Mr Jose Salindong

Country Head India

Mr Meghnath Roy Chowdhury

Review of Operations

Review of Operations – 2006 Annual Report

CyGenics operations achieved significant market development and financial growth for the period under review. The Company continued to expand its operations in all areas of business, including acquisition of 51% of a tissue banking business in Australia, setting up business in India for tissue banking through a new 85% owned joint venture, expanding the existing business in Indonesia for tissue banking through a new 51% owned joint venture, investment in a company in the Netherlands having a GMP manufacturing facility to gain 20% ownership with an option to purchase the remaining shares and investment in manpower. This is in line with the Group's objective of realising growth through investment in existing tissue banking businesses, expanding into new geographical markets and seeking out-licensing of our cellular technologies.

Corporate Objectives

- Focus on revenue generating tissue and cord blood banking businesses.
- Continue regional expansion of tissue and cord blood banking businesses.
- Patented technologies to be out-licensed.

The Company will focus primarily on its core revenue-generating tissue and cord blood banking businesses, which continue to show substantial growth in both numbers of clients and revenue.

CyGenics will continue to expand its tissue banking businesses into new markets, notably those with a significant population base and high disposable income. One such market is China, where CyGenics' management has been patiently sourcing appropriate opportunities. A Shanghai-based subsidiary was established in 2003 in preparation of implementing the right opportunity. A number of exciting transactions in the Asian region are currently under assessment.

CyGenics will seek out-licensing partners for its stem cell expansion and T-cell production technologies and potential partnering opportunities have already been identified. This will enhance further development of the technologies. The management and funding of the development programs will be managed by the partners.

The CyGenics management continued to focus on the following areas during the year:

- Leveraging existing business infrastructure to strengthen existing revenue streams.
- Identifying opportunities for existing business models in new markets.
- Establishing a proactive and aggressive management team, and structures to support rapid growth.
- Identifying and attracting talented people into middle management, regional business development and country general management positions.



Review of Operations

Business Updates

Tissue and Cord Blood Banking Business (CordLife and BioCell)

CordLife and BioCell are fee-for-service tissue and cord blood banking service providers. Their core businesses have continued their strong growth. The tissue and cord blood banking business grew substantially during the year, both in terms of revenue and number of clients.

- Revenue from services rendered increased by 125% over the previous year. This included revenue from annual storage which increased by more than 216% over the previous year. Number of clients signed-up during the year increased by over 73% compared to the previous year.
- Currently, total client numbers exceed 6,500. The growth took place across the Company's existing markets of Singapore, Indonesia and Hong Kong as well as new markets such as Australia, Thailand and the Philippines. The strongest growth in new clients signed-up took place in Singapore, followed by Hong Kong, Australia and Indonesia.



- 51% interest was acquired in Biocell Pty Ltd, a tissue and cord blood banking company incorporated in Australia. Biocell is the second largest cord blood bank in Australia and has grown rapidly from its Melbourne base to have nation-wide operations with representatives in each state. Biocell has a strategic relationship with the Sydney Adventist Hospital which provides Therapeutic Goods Administration (TGA) approved laboratory services in Sydney.

Review of Operations



- A subsidiary in India was formed for tissue and cord blood banking business. The subsidiary, which has minority equity participation by the Company's local Indian partner Strassenburg Pharmaceuticals Ltd, has its head office in Kolkata. The share of equity between the Company and Strassenburg is 85% and 15% respectively. The entity was officially launched by Singapore's Senior Minister and former Prime Minister Mr Goh Chok Tong, together with Mr See Chak Mun, Singapore High Commissioner to India, at a ceremony in Kolkata. The Company is in the process of building a full umbilical cord blood tissue processing and storage facility in that city, followed by regional marketing offices in other key Indian cities. India promises to be a key market for CyGenics in the coming years.



Review of Operations

- Wholly-controlled entities were set-up in Thailand and the Philippines for engaging in marketing activities. The samples are processed and stored in the AABB accredited tissue banking facility in Singapore. The Company also appointed marketing agents in Macau, Sri Lanka and Vietnam.



- On 25 September 2006, the Company entered in an equity partnership venture with PT Kalbe Farma ("Kalbe") in Indonesia through its subsidiary Cordlife International Pte Ltd. The share of equity between the Company and Kalbe is 51% and 49% respectively. CyGenics plans to build and operate a full umbilical cord blood tissue processing and storage facility in Indonesia. This is an important step in the Company's strategy of focussing on its core business of tissue and cord blood banking and further strengthens its presence in Indonesia, a large and important market in Asia. The Company will leverage off Kalbe's established marketing and distribution networks to grow revenues significantly in Indonesia.



- The Singapore facility of the Company is the first and, to date, only AABB accredited cord blood bank in Southeast Asia.

Review of Operations

- In an industry first for Singapore, CordLife has partnered with NTUC Income, one of the largest insurance companies in the country, to provide existing and future CordLife customers with medical coverage for a stem cell transplant using cord blood, should the child or immediate family require it. Called MediCord, the exclusive policy gives CordLife customers the option of selecting insurance coverage at the point of signing up for cord blood collection, processing and storage.



- The tissue and cord blood banking business model is currently being replicated in multiple markets to recognise higher client sign up volumes and revenue contribution.
- CordLife and BioCell have a number of strategic opportunities to significantly increase its revenue and margins in new markets and to add complimentary supporting businesses to its portfolio. A regional business development team focuses on these opportunities.
- The tissue and cord blood banking business anticipates strong revenue growth that is consistent with its past four years' experience.

Cell Therapeutics Business (Cytomatrix)

The Company has two patented technologies:

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.

Ex-vivo Stem Cell Expansion (Artificial Bone Marrow) - This is a patented innovative cell growth technology that allows for rapid multiplication of stem cells 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.

- The Company continued its steady progress in pursuit of commercialisation of its stem cell expansion and T-cell production technologies. However, rather than finance clinical trials and further in-house development, the Company has sought to establish collaborations with leading companies and institutions and identify opportunities in selected medical indications where such collaborations provide both synergies and sharing of costs, thereby diluting risks.

Review of Operations



- A strategic investment was made in Pharmacell B.V. to gain 20% ownership with an option to purchase the remaining shares. Pharmacell is based in the Netherlands. The investment in Pharmacell enables the Company access to a licensed cGMP facility. Pharmacell generates revenue through the out-licensed use of its facility. It has ongoing collaborations with a number of companies, including Bioheart Inc, a cell therapy company based in Florida that focuses on the treatment of cardiovascular diseases.
- The Company's wholly-owned subsidiary, Cytovations Inc, formed during the last quarter of the previous year, continued to focus on product developmental efforts for the group. This product development work also underpins the design and supply of therapy kits to support our proposed licensing programmes for the Company's patented therapy platforms. Cytovations is based in the state of New Jersey in the USA and is within reach of many of America's top biotech and biopharmaceutical companies.



Review of Operations

Product Sales & Distribution Business (Cell Sciences)

Cell Sciences business commenced in late 2003 for the purpose of developing, commercialising and marketing its range of disposable cell growth devices. Since its first two products' launch in March 2004, the business has grown its revenue base substantially with the distribution of various medical and research products.

- On 1 September 2006, in line with its renewed focus, the Company sold its wholly-owned subsidiary Cell Sciences Pte Ltd in exchange for a 19.7% stake in DNAPro (M) Sdn Bhd, a company registered in Malaysia and engaged in manufacturing and supply of biopharmaceutical products. It supplies various medical products to the Malaysian government and the private sector. This transaction is targeted to enable CyGenics to focus on its core tissue banking business and to generate improved return on investment in Cell Sciences through its investment in DNAPro.
- The Company's own cell culture spinners business was transferred from Cell Sciences to another wholly-owned subsidiary, Cytovations Inc, in the US. As the US is the major market for spinner devices, Cytovations is appropriately placed to tap into the market for such products. Consequently, with the subsequent divestment of Cell Sciences with its third party product distribution business, the Company continues to undertake production and distribution of its spinners products in the US.
- Cell Sciences currently distributes more than 20 third party principle lines across Southeast Asia. It also maintains its own network of international distributors for its own range of cell growth product in USA, Canada, EU, South Korea, Singapore, Thailand, China and Australia.



Clinical and Travel Related Support Services Business (CLS Services)

The clinical and travel related support services business commenced in September 2005 to develop and tap into the clinical referral market.

- In April 2006, the Company completed a project to provide consultancy services relating to medical tourism.

Key Scientific Advisors

The mission of the Advisory Board is to harness both clinical and commercial expertise to assist in the growth and development of CyGenics. The Advisory Board makes recommendations to the CyGenics Board in the following areas:

- Quality standards and accreditation requirements with regard to its tissue banking services;
- Ethical practice and self-regulatory requirements in offering its tissue banking services and any future related services;
- Advise and make recommendations with regard to governmental institutions, ministries and other such bodies in the areas of technical, medical, scientific and regulatory matters;
- Provide expert information and opinions to the Company; and
- Offer views on research and clinical trials activities.

Review of Operations

The key scientific advisors are as follows:

- Professor Bob Williamson
AO, BSc (Hon), PhD, FAA,
FRS
- Professor John Mackenzie
AO, BSc (Hon), PhD, FASM,
FACTM
- Professor Ian McNiece
BSc (Hon), MSc, PhD
- Professor Cees Th. Smit
Sibinga
MD, PhD, FRCP Edin,
FRCPath
- Professor Ng Soon Chye
MBBS, MMed, FRCOG,
FAMS, MD
- Professor Low Cheng Hock
MBBS, MMED, FRACS,
FRCS(E), FAMS, PPA(E),
PPA(P)
- Associate Professor Craig Jordan
BA, PhD
- Associate Professor Hanry Yu
BSc, MSc, PhD
- Assistant Professor Dietmar Hutmacher
M.Biomed.Eng, PhD, MBA
- Dr Vasanthi Rajalingam
MBBS, MMED (PAED), FAMS



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, Japan, and the United States

Country	Application No.	Status
International	PCT/US98/20123	Entered National Stage
Canada	2304650	Pending; Request for examination lodged 24 September 2003
China	98809535.1	Pending
Europe	98949516.3	Abandoned 19 September 2006
Hong Kong	06108813.2	Pending
Japan	2000-512923	Pending; Request for examination sent
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	Granted as US 7,067,316 on 27 June 2006
United States	11/474,931	Pending

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 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.

Intellectual Property Report

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 Stage
Canada	2351889	Pending; Examination requested
China	99813230.6	Granted as ZL 99813230.6 on 15 December 2004
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	Pending

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 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.

Intellectual Property Report

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 : Filed as 70007WO

Country	Application No.	Status
International	PCT/US00/26122	Entered National Stage
Europe	00963738.0	Granted as 1222248 on 26 July 2006
United States	10/088,825	Granted as US 6,991,933 on 31 January 2006
United States	11/343,075	Pending

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 Stage
Europe	00965306.4	Pending; First examination report issued 20 August 2003; Response lodged 17 December 2003; A second examination report issued on 26 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.

Intellectual Property Report

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 : Entered National Stage

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

Priority : US 60/557,669

Applicant : Cytomatrix LLC

Inventors : Mark J. Pykett and Michael Rosenzweig

Status : Pending

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 : Hanry 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 summarised 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. 76252084 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
CORDLIFE	Australia	941077	28 January 2003 Priority: 16 September 2002	Registered	<p>Class 39: 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>Class 44: Blood bank services; blood testing, processing, typing and analysis; providing advice relating to the aforesaid.</p>
“Blood cell” device (“bubbles in rectangle in black and white”)	Australia	941179	28 January 2003 Priority: 18 September 2002	Registered	<p>Class 39: 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>Class 44: Blood bank services; blood testing, processing, typing and analysis; providing advice relating to the aforesaid.</p>
“Blood cell” device (“discs form bubble, grotesque”) in colour	Australia	942294	4 February 2003 Priority: 18 September 2002	Registered	<p>Class 39: 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>Class 44: 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
CORDLIFE (word script)	China	3477480	7 March 2003	Registered	Class 39
CORDLIFE (script and blood cell device)	China	3477481	7 March 2003	Registered	Class 44
CORDLIFE (script and blood cell device)	China	3277482	7 March 2003	Registered	Class 39
CORDLIFE and blood cell device	Indonesia	D00-2003-28195-28471	8 October 2003	Pending	Class 5
CORDLIFE and device	Malaysia	2003-11026 2003-11028	28 August 2003	Accepted	Class 39: 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.
CORDLIFE and device	Malaysia	2003-11027 2003-11029	28 August 2003	Registered	Class 44
CORDLIFE	Singapore	T02/ 14265F	16 September 2002	Registered	Class 39
CORDLIFE (Stylised)	Singapore	T02/ 14266D	16 September 2003	Registered	Class 44: Blood bank services; blood testing, processing; typing and analysis; providing advice relating to the aforesaid.
CORDLIFE	Singapore	T02/ 17911D	22 November 2001	Registered	Class 42: 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.
CORDLIFE	Singapore	T02/ 14334B	18 September 2002	Registered	Class 39: 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

MARK	COUNTRY	NO	FILING DATE	STATUS	GOODS
CORDLIFE (script, logo and blood cell device)	India	1455251 1455253 1455255 1455257	30 May 2006	Pending	Class 39
CORDLIFE (script, logo and blood cell device)	India	1455252 1455254 1455256 1455258	30 May 2006	Pending	Class 42

F. Trade mark applications in the name of CyGenics Ltd

MARK:	CYGENICS
COUNTRY:	AUSTRALIA
NO:	992057
FILING DATE:	5 March 2004
STATUS:	Pending
GOODS:	<p>Class 5: 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>Class 10: Surgical and medical apparatus and instruments; surgical and medical implants; implants comprising tissue materials; cell culture devices.</p> <p>Class 42: 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>Class 44: 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 registrations in the name of Cytovations Inc

MARK	STARWHEEL	DYNAMATRIX	STATAMATRIX
COUNTRY	Australia	Australia	Australia
NO	988995	999079	998953
FILING DATE	22 April 2004	22 April 2004	22 April 2004
STATUS	Registered	Registered	Registered
GOODS	Class 10: Cell culture devices for scientific and medical applications	Class 10: Cell culture devices for scientific and medical applications	Class 10: Cell culture medical apparatus and medical applications

Corporate Governance Statement

The CyGenics Board of Directors (the “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 has developed management policies and procedures addressing statutory financial reporting, Board and management financial reporting and controls, information technology security, management and staff performance reviews and remuneration and internal controls for business risk management. The Board continues to develop management policies and procedures. 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 two Executive and four 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)
Mr Steven Fang (Boon Sing Fang)	Executive Director (Chief Executive Officer)
Mr Ian David Brown	Executive Director (Chief Operating Officer)
Mr Christopher Ho (Han Siong Ho)	Non-executive Director
Mr Alberto J. Bautista	Non-executive Director
Mrs Eileen Tay (Bee Kiew Tan)	Non-executive Director

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 financial report the Board has determined that all CyGenics directors are independent, other than Mr Steven Fang 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 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:

Corporate Governance Statement

Audit Committee

The members of the Audit Committee ("AC") during the year ended 30 June 2006 were Mrs Eileen Tay (Chairperson), Mr Christopher Ho (appointed on 23 November 2005), Mr Alberto J. Bautista (appointed on 7 March 2006) and Dr Anthony Soh (resigned on 23 November 2005). The AC currently has three members.

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 our 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.

Two AC meetings were 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 year ended 30 June 2006 were Mr Christopher Fullerton (Chairman), Mrs Eileen Tay, Mr Christopher Ho (appointed on 23 November 2005) and Dr Anthony Soh (resigned on 23 November 2005).

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.

Remuneration Committee

The members of the Remuneration Committee ("RC") during the year ended 30 June 2006 were Mr Alberto J. Bautista (Chairman, appointed on 15 February 2006), Mr Christopher Fullerton, Mr Steven Fang and Dr Anthony Soh (resigned on 23 November 2005).

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.

Corporate Governance Statement

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.

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.

Corporate Governance Statement

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 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 continuously reviewed and updated, having regard to the ASX Guidelines to promote communications with shareholders.

Company Auditor

Ernst and Young ("EY") was re-appointed as CyGenics' external auditor for the reporting period from 1 July 2005 to 30 June 2006. EY has regular interface with the Audit Committee and is given the opportunity to meet with CyGenics directors without management in attendance. A representative from EY 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.

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.

Corporate Governance Statement

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 has developed 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 encompasses a structured training and development program for all employees including management, which is directly aligned to achieving the Group's business objectives.

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 Options and Performance Rights Plan. During and since the end of the financial period, no rights or options 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 year ended 30 June 2006, 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 year ended 30 June 2006, 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 (the "Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and particulars of the directors of the Company during or since the end of the financial year are as below. Directors were in office for this entire period unless otherwise stated.

Name	Particulars
Christopher Maxwell Fullerton BEc	<p>Chairman (non-executive). Mr Fullerton 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. His previous chairmanships include Health Communication Network Ltd (a developer and distributor of healthcare software applications), Crossfield InTech (a development capital investor focusing on the IT sector) and Standard Chartered Australia. His previous directorships include the Federal Airports Corporation.</p> <p>During the past three years, Mr Fullerton held/holds directorships in the following other listed companies – Health Communication Network Ltd, The Environmental Group Ltd and Working Systems Solutions Ltd.</p>
Steven Fang (Boon Sing Fang) CIM (UK), MBA	<p>Executive Director and Chief Executive Officer. Mr Fang 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. He has a degree in Computer Engineering and completed his MBA with the University of Hull (UK) in business strategy. He is currently a council member of the Singapore British Business Council and International Enterprise Singapore's Action Community for Entrepreneurship – Internationalisation Action Crucible (IAC). He is also the Chairman of Bio Singapore and the President of Spirit of Enterprise (Singapore).</p>

Directors' Report

Name	Particulars
<p>Ian David Brown GDip.BA, FAICD, FAIM</p>	<p>Executive Director and Chief Operating Officer. Mr Brown has extensive technology commercialisation experience both nationally and internationally. Previously, Ian held executive management positions with Chromogenix AB (Kabi Pharmacia) while based in Sweden and Instrumentation Laboratory SpA while based in Italy. His executive experience includes private and public capital raisings, mergers and acquisitions and corporate restructuring. He has a Graduate Diploma of Business Administration and is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.</p>
<p>Christopher Ho (Han Siong Ho) BSEE</p>	<p>Non-Executive Director appointed on 23 November 2005. Mr. Ho is Vice-President for Investments in his family investment companies (the Tai Tak Group), namely Providence Investments Pte Ltd and Tai Tak Securities Pte Ltd for the last 10 years. The investments include both Private Equities and Public Equities. In 1989, he graduated from the University of Wisconsin at Madison, USA with a double degree in Computer Engineering and Computer Science. He has since co-founded two IT companies, which are spin-offs from a Singapore Government R&D research institute.</p>
<p>Alberto J. Bautista BSIE, MBA (MIT)</p>	<p>Non-Executive Director appointed on 15 February 2006. Mr Bautista has over 30 years experience in the healthcare field. For 27 of those years, he was a senior executive with Baxter International, a global leader in assisting healthcare professionals and patients in the treatment of complex medical conditions, such as cancer, haemophilia, immune disorders, kidney diseases and trauma. Over the course of his career with Baxter, he directed and managed operations in several countries in four continents. From 1997 to 2001, he was President of Baxter Healthcare Asia based out of Singapore and from 2001 until his retirement in 2003, he was based in Tokyo, Japan where he shared responsibility for Baxter's largest revenue (over US\$300 Million) and most profitable renal business in the world. For the last 3 years, Mr. Bautista has maintained a healthcare consulting practice in Singapore that focuses on small to medium sized companies in the life science, medical device and biotech space. Mr. Bautista graduated with a Bachelors degree in Industrial Engineering ('magna cum laude') and holds a Masters in Management degree from the Sloan School of the Massachusetts Institute of Technology.</p>

Directors' Report

Name	Particulars
<p>Eileen Tay (Bee Kiew Tan) BAcc (Hons), FCPA (Australia), FCPA (Singapore), FCIMA (UK)</p>	<p>Non-executive Director. Mrs Tay 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. She is also an Independent Director and the Chairperson of the Audit Committee of a listed company in the telecommunications industry. She holds an Honours Degree in Accountancy from the University of Singapore. She is also a Fellow of the Institute of Certified Public Accountants of Australia, a Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of the Chartered Institute of Management Accountants, UK.</p> <p>During the past three years, Mediaring Ltd and Namberly Ltd represented the other listed company directorships held by Mrs Tay (she is currently a director in these companies).</p>
<p>Dr Mark Jerome Pykett VMD, PhD, MBA</p>	<p>Non-Executive Director, resigned on 23 November 2005. Dr. Pykett is President and Chief Operating Officer of Boston Life Sciences, Inc., a public company listed in the US focused on neurological diseases. He also serves as a director of ADVENTRX Pharmaceuticals, Inc., and Oramax, LLC. 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. He is also on the board of advisors for the Center for Enterprise Growth at Northeastern University.</p> <p>During the past three years, ADVENTRX Inc represented the only other listed company directorship held by Dr Pykett (he is currently a director).</p>

Directors' Report

Name	Particulars
Dr Anthony Soh (Guan Cheow Soh) MBBS (Singapore), PG Dip. Aud (Australia)	Non-executive Director, resigned on 23 November 2005. 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 know-how in the healthcare, pharmaceutical and life sciences sector in the Asia Pacific and Greater China markets.

Company secretary

The Company Secretary, Mr 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 was the principal of Campbell Lord, Commercial Lawyers during the reported year and is currently a partner of Lovegrove Lord & Johnston, Commercial & Construction Lawyers. He is an independent contractor of the Company and invoices the Company from time to time based on hours worked on an hourly rate.

Corporate information

Corporate structure and principal activities

The Company and its controlled entities' ("consolidated entity") principal activities in the course of the financial year were providing services, devices and facilities for storing and developing applications for adult stem cells and their related therapies. The consolidated entity was also engaged in the manufacture, distribution and trading of research products and medical equipment. Clinical and travel related support services business commenced in September 2005. There have been no significant changes in the nature of those activities during the year. Details of corporate structure and entities controlled by the Company are set out in note 22 to the financial statements.

Employees

The consolidated entity employed 95 employees as at 30 June 2006 (2005: 61 employees).

Operating and financial review

During the year ended 30 June 2006, the Company continued to expand its operations in all areas of business, including acquisition of a tissue banking business in Australia, setting up business in India for tissue banking, investment in a company in the Netherlands having a GMP manufacturing facility and investment in manpower. This is in line with the Group's objective of realising growth through investment in existing tissue banking businesses, expanding into new geographical markets and seeking out-licensing of our cellular technologies.

Directors' Report

Consolidated revenue for the year ended 30 June 2006 increased by 101% to \$8,270,000 from \$4,122,000 for the year ended 30 June 2005. The increase is in line with the consolidated entity's internal projections.

- Revenue from tissue banking services was \$3,597,000 for the year ended 30 June 2006 as compared to \$1,601,000 for the year ended 30 June 2005 (an increase of 125%). This substantial growth took place across CyGenics' existing markets Singapore, Indonesia and Hong Kong, as well as new markets which started during the year, namely, Australia, Thailand and the Philippines.
- Revenue from sales of products was \$738,000 for the year ended 30 June 2006 as compared to \$558,000 for the year ended 30 June 2005 (an increase of 32%). The increase was largely due to increased sales of spinner products to Corning Inc.
- Revenue from Government grants and contracts was \$809,000 for the year ended 30 June 2006 as compared to \$1,194,000 for the year ended 30 June 2005 (a decrease of 32%). The decrease was mainly due to the conclusion of the US Department of Defense contract in January 2006.
- Revenue from clinical and travel related support services was \$2,575,000 for the year ended 30 June 2006 (no revenue in previous corresponding period).
- Revenue from consultancy fee for clinical therapy products and services was \$45,000 for the year ended 30 June 2006 (no revenue in previous corresponding period).
- Interest income from banks and other miscellaneous revenue was \$506,000 for the year ended 30 June 2006 as compared to \$769,000 for the year ended 30 June 2005 (a decrease of 34%). The decrease was largely due to lower interest income from banks due to a lower balance of cash during the year as compared to the previous year.

Net loss attributable to members for the year ended 30 June 2006 was \$6,603,000, an increase of 18% over the net loss attributable to members of \$5,581,000 for the year ended 30 June 2005. The net loss arose mainly from amortisation of intangible assets of \$1,443,000 and costs associated with:

- the Group's expansion in all areas of business (including tissue banking in Australia, India and the United Kingdom),
- setting up and operating Cytovations Inc. (the cell therapy product development and consultancy services entity in the US) and
- preparation for clinical trials in the first half of the year.

Information on revenue and results of the different business segments are set out in note 24 to the financial statements. Details of significant items of costs are further set out in note 3 to the financial statements.

A one-time license fee, together with accrued interest thereon, of \$2,736,000 (equivalent to US\$2,000,000) was paid on 9 January 2006 to Tantalum Cellular Products LLC ("TCP"). This payment related to a license agreement dated 1 January 2000 with TCP, pursuant to which TCP, as licensor, granted to a subsidiary company Cytomatrix LLC a non-royalty bearing exclusive license to use a patent. The license fee payable was originally denominated in US\$ and was unhedged.

Cash at 30 June 2006 was \$5,694,000. Net cash outflows from operating and investing activities during the year of \$4,975,000 and \$626,000 respectively were largely due to expansion activities involving investment in manpower and capital expenditure. Cash inflows from operating activities

Directors' Report

during the year of \$8,774,000 comprised receipts from customers of \$8,021,000, interest income of \$543,000 and other miscellaneous receipts of \$210,000. Cash outflows from operating activities during the year of \$13,749,000 comprised payments for staff of \$4,841,000, advertising and marketing of \$374,000, research and development of \$874,000, interest expense of \$3,000 and other working capital of \$7,657,000. Payments for research and development include costs for the preparation of clinical trials in Australia in the first half of the year. Payments for other working capital mainly include direct costs of rendering tissue banking services, production and distribution of goods and clinical and travel related support services; it also includes travel costs incurred on business development in Southeast Asia, Europe and Australia, annual premium for Directors' & Officers' insurance and property lease rental costs in Asia, Australia, US and the UK.

The Company has established a treasury function, co-ordinated within the finance department, responsible for managing the Group's currency risks and finance facilities. The treasury function operates within policies set by the Board, which ensures that management's actions are in line with group policy.

The Group has an overdraft facility of \$429,000, all of which was unused at 30 June 2006. The Group has sufficient funds to finance its operations and maintains the overdraft facility primarily to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

Tissue banking business

The tissue banking business (Cordlife and Biocell) grew substantially during the year, both in terms of revenue and number of clients. Revenue from services rendered increased by 125% over the previous year. This included revenue from annual storage which increased by more than 216% over the previous year.

Number of clients signed-up during the year increased by over 73% compared to the previous year. As at 30 June 2006, total client numbers exceeded 5,800. The growth took place across the Company's existing markets of Singapore, Indonesia and Hong Kong as well as new markets like Australia, Thailand and the Philippines. The strongest growth in new clients signed-up took place in Singapore, followed by Hong Kong, Australia and Indonesia. The Singapore facility of the Company is the first and, to date, only AABB accredited cord blood bank in Southeast Asia.

In November 2005, the Company acquired a 51% interest in Biocell Pty Ltd, a tissue banking company incorporated in Australia. Biocell is the second largest cord blood bank in Australia and has grown rapidly from its Melbourne base to have nation-wide operations with representatives in each state. Biocell has a strategic relationship with the Sydney Adventist Hospital which provides Therapeutic Goods Administration (TGA) approved laboratory services in Sydney.

In January 2006, the Company formed a subsidiary in India for tissue banking business. The subsidiary, which has minority equity participation by the Company's local Indian partner Strassenburg Pharmaceuticals Ltd, has its head office in Kolkata. The Company is in the process of building a full umbilical cord blood tissue processing and storage facility in that city, followed by regional marketing offices in other key Indian cities. India promises to be a key market for CyGenics in the coming years.

Directors' Report

During the year, the Company also set up wholly-controlled entities in Thailand and the Philippines for engaging in marketing activities. The samples are processed and stored in the AABB accredited tissue banking facility in Singapore. The Company also appointed marketing agents in Macau, Sri Lanka and Vietnam.

Cell Therapeutics business

The Company continued its steady progress in pursuit of commercialisation of its stem cell expansion and T-cell production technologies. However, rather than finance clinical trials and further in-house development, the Company has sought to establish collaborations with leading companies and institutions and identify opportunities in selected medical indications where such collaborations provide both synergies and sharing of costs, thereby diluting risks.

In June 2006, the Company made a strategic investment of an initial 20% stake in Pharmacell B.V., a company registered in the Netherlands. The investment in Pharmacell enables the Company access to a licensed cGMP facility. Pharmacell generates revenue through the out-licensed use of its cGMP facility. It has ongoing collaborations with a number of companies, including Bioheart Inc, a cell therapy company based in Florida that focuses on the treatment of cardiovascular diseases.

The Company's wholly-owned subsidiary, Cytovations Inc, formed during the last quarter of the previous year, continued to focus on the needs of undertaking product developmental efforts for the group. This product development work also underpins the design and supply of therapy kits to support our proposed licensing programmes for the Company's patented therapy platforms. The company's operations are based in the state of New Jersey and is within reach of many of America's top biotech and biopharmaceutical companies.

Product sales and distribution business

On 1 September 2006, as further disclosed in note 26 to the financial statements, the Company sold its wholly-owned subsidiary Cell Sciences Pte Ltd, a company engaged in the distribution of various medical and research products, in exchange for a 19.7% stake in DNAPro (M) Sdn Bhd, a company registered in Malaysia and engaged in manufacturing and supply of biopharmaceutical products. It supplies various medical products to the Malaysian government and the private sector. This transaction is targeted to enable CyGenics to focus on its core tissue banking business and to generate improved return on investment in Cell Sciences through its investment in DNAPro.

In June 2006, the Company's own cell culture spinners business was transferred from Cell Sciences to another wholly-owned subsidiary, Cytovations Inc, in the US. As the US is the major market for spinners devices, Cytovations is appropriately placed to tap into the market for such products. Consequently, with the subsequent divestment of Cell Sciences with its third party product distribution business, the Company continues to undertake production and distribution of its spinners products in the US.

Clinical and travel related support services business

The clinical and travel related support services business commenced in September 2005 to develop and tap into the clinical referral market. Further, in April 2006, the Company completed a project to provide consultancy services relating to medical tourism.

Changes in state of affairs

During the financial year 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.

Directors' Report

Subsequent events

On 1 September 2006, the Company disposed of its wholly-owned subsidiary, Cell Sciences Pte Ltd, in exchange for 19.7% equity stake in DNAPro (M) Sdn Bhd, a company incorporated in Malaysia. CyGenics Ltd has been granted call options whereby it can acquire up to 39% of all shares of DNAPro (M) Sdn Bhd. The call options can be exercised after two years but not later than five years from the date of acquisition of the initial interest. Additionally, the Company may also exercise these options prior to an Initial Public Offering of DNAPro (M) Sdn Bhd. If and when the Company exercises the call options, the purchase price for the shares should be the fair market value thereof, as independently assessed by an internationally recognised accounting firm, or if preferred and agreed by all shareholders, an alternate valuation method. DNAPro is engaged in manufacturing and trading of biopharmaceutical products. These include hepatitis B vaccine (recombinant), and anti-cancer and anti-AIDS vaccines. It supplies various medical products to the Malaysian government and the private sector. The transaction will result in a gain on disposal of approximately \$450,000 in the consolidated financial statements of CyGenics Ltd for the year ending 30 June 2007. The amount is calculated as the excess of fair value of the Company's investment in DNAPro of \$335,000 over the net tangible liabilities of Cell Sciences on 31 August 2006 of approximately \$115,000.

On 25 September 2006, the Company entered in an equity partnership venture with PT Kalbe Farma ("Kalbe") in Indonesia through its subsidiary Cordlife International Pte Ltd. The share of equity between the Company and Kalbe is 51% and 49% respectively. CyGenics plans to build and operate a full umbilical cord blood tissue processing and storage facility in Indonesia. This is an important step in the Company's strategy of focussing on its core business of tissue banking and further strengthens its presence in Indonesia, a large and important market in Asia. The Company will leverage off established networks of Kalbe to grow revenues significantly in Indonesia.

Apart from the above, there has not been any matter or circumstance that has arisen since the end of the financial year 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.

Loss per share

Basic and diluted loss per share was 9.7 cents (2005: 8.2 cents). For details refer to note 19 to the financial statements.

Dividends

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

Directors' Report

Share options

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

Options and performance rights plan

A new equity incentive plan, the Options and Performance Rights Plan ("Plan"), was introduced on 23 November 2005 to foster an ownership culture within the consolidated entity and to motivate employees and directors to achieve performance targets of their respective business units. It replaces the earlier Performance Share Plan which was introduced on 5 May 2004. The Plan is administered by the Remuneration Committee. The directors and employees of CyGenics Ltd and its controlled entities are eligible to participate in the Plan, at the absolute discretion of the Remuneration Committee.

The number of ordinary shares in the company acquired or subscribed for or issued upon exercise of a performance right or option under the Plan must not, when aggregated with any other ordinary shares in the company held by the participating directors or executive, exceed 10% of the total ordinary shares in the company issued at the time of issue of the performance rights or options.

The options previously approved by the shareholders on 23 November 2005 to Steven Fang and Ian Brown were not issued by the Board by 30 June 2006 and are no longer valid.

During and since the end of the financial period, no rights or options have been granted under the Plan and the performance hurdles are in the process of being established.

Indemnification of directors and officers

During the financial year, the Company has made an agreement with an insurer to indemnify all the directors and officers for an aggregate limit of liability of \$5,000,000 for all insuring clauses, for all claims for the period of insurance as per the agreement.

The total amount of insurance contract premiums paid during the financial year was \$51,000.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 Board meetings, 2 Audit Committee meetings, 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
Christopher Fullerton	12	12	—	—	1	1	1	1
Steven Fang	12	12	—	—	—	—	1	1
Ian Brown	12	11	—	—	—	—	—	—
Eileen Tay	12	12	2	2	1	1	—	—
Christopher Ho	12	6	2	1	1	1	—	—
Alberto Bautista	12	5	2	1	—	—	1	1
Mark Pykett	12	4	—	—	—	—	—	—
Anthony Soh	12	2	2	1	1	1	1	—

Directors' Report

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 options	Executive share notes	Convertible shares
CyGenics Ltd					
Chris Fullerton	3,000,000	—	—	—	—
Steven Fang	8,729,960	—	—	—	—
Ian Brown	339,890	—	—	—	—
Eileen Tay	—	—	—	—	—
Christopher Ho	682,283	—	—	—	—
Alberto Bautista	248,480	—	—	—	—

Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of the Company.

Remuneration philosophy

The performance of the Company and its controlled entities depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Company's remuneration framework is embodied with the principles of providing competitive rewards to attract high calibre executives and link executive rewards to shareholder value.

Remuneration committee

The Remuneration Committee reviews the remuneration packages of all executive directors and senior executives 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; and
- Options and Performance Rights Plan.

Further details of the Options and Performance Rights Plan are set out on page 40.

Remuneration structure

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

Directors' Report

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Under the Company's constitution, the directors are to be paid such remuneration not exceeding an amount that is authorised by an ordinary resolution of the Company approved in general meeting. The non-executive directors are currently entitled to receive up to an aggregate of \$250,000, to be divided between them as directors' fees.

Employment contracts

The Chief Executive Officer, Mr Steven Fang, is employed under contract. On 1 May 2004, the Company entered into a contract of employment with Mr Fang (the "employee"), appointing him as its Group CEO. The key features of the contract may be summarised as follows:

- The Company may terminate the employee's employment by giving 3 months' written notice to the employee and may make payment to him in a sum equal to the base salary he would have earned if he had been given the relevant period of notice;
- The Company may terminate the employee's appointment immediately without notice (or payment in lieu of notice) if the employee:
 - fails or refuses to comply with a reasonable and lawful direction given to him by the Company;
 - is, in the reasonable opinion of the Company, guilty of serious and wilful neglect or misconduct in the discharge of his duties;
 - has committed a serious breach, or is persistently in breach of any term of the contract and has failed to remedy such breach within 14 days of being requested by the Company in writing to do so;
 - becomes mentally incapable;
 - is made bankrupt;
 - is charged with any criminal offence which may bring the Company into disrepute;
 - breaches any material provision of the contract.
- The employee may terminate the employment by giving a period of notice of 3 months in writing. Failure to give such notice entitles the Company to deduct from any monies owing to the employee an amount representing the number of weeks or days of the notice period the employee did not work.

The other key management personnel are also under employment contracts, the key features of which are as follows:

- The Company may terminate the employee's employment by giving 2 to 3 months' written notice to the employee and may make payment to him in a sum equal to the base salary he would have earned if he had been given the relevant period of notice;
- The Company may terminate the employee's appointment immediately without notice (or payment in lieu of notice) if the employee:
 - fails or refuses to comply with a reasonable and lawful direction given to him by the Company;
 - is, in the reasonable opinion of the Company, guilty of serious and wilful neglect or misconduct in the discharge of his duties;
 - has committed a serious breach, or is persistently in breach of any term of the contract and has failed to remedy such breach within 14 days of being requested by the Company in writing to do so;

Directors' Report

- becomes mentally incapable;
 - is made bankrupt;
 - is charged with any criminal offence which may bring the Company into disrepute;
 - breaches any material provision of the contract.
- The employee may terminate the employment by giving a period of notice of 2 to 3 months in writing. Failure to give such notice entitles the Company to deduct from any monies owing to the employee an amount representing the number of weeks or days of the notice period the employee did not work.

Details of director and executive remuneration

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

Director	Short-Term			Post Employment			Share-based Payment \$	Other benefits \$	Total \$
	Salary and fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$			
Executive directors									
Steven Fang	258,927	–	–	6,069	–	–	–	–	264,996
Ian Brown	138,348	–	–	12,456	–	–	–	–	150,804
Non-executive directors									
Chris Fullerton	60,000	–	–	5,400	–	–	–	–	65,400
Eileen Tay	45,000	–	–	–	–	–	–	–	45,000
Christopher Ho	27,250	–	–	–	–	–	–	–	27,250
Alberto Bautista	69,123 [^]	–	–	–	–	–	–	–	69,123
Anthony Soh	17,875	–	–	–	–	–	–	–	17,875
Mark Pykett	57,503 [*]	–	–	–	–	–	–	–	57,503

[^] Alberto Bautista's remuneration includes non-executive director fees of \$15,000 and consultant fees of \$54,123. Prior to his appointment as a non-executive director, he was engaged with the Company as a consultant.

^{*} Mark Pykett's remuneration includes non-executive director fees of \$17,875 and consultant fees of \$39,628.

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

Executive	Short-Term			Post Employment			Share-based Payment \$	Other benefits \$	Total \$
	Salary and fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$			
Company									
Jeremy Yee	144,735	–	–	6,069	–	–	–	–	150,804
Consolidated entity									
John T. Flickinger	143,151	–	–	–	–	–	–	–	143,151
Cynthia Elliott	127,123	–	–	3,761	–	–	–	–	130,884
Gary Rubin	117,164	–	–	13,492	–	–	–	–	130,656
John Khong	103,194	–	–	1,636	–	–	–	–	104,830

Proceedings on behalf of the Company

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

Directors' Report

Auditor independence and non-audit services

Independence declaration

The directors obtained a declaration of independence from the auditors, Ernst and Young, a copy of which appears on page 108.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	\$11,900
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Signed in accordance with a resolution of the directors made pursuant to S298(2) of the Corporations Act 2001.

On behalf of the Board



Steven Fang
29 September 2006

Independent Audit Report

to the Members of CyGenics Ltd



■ Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

■ Tel 61 3 9280 8000
Fax 61 3 8650 7777
DX 293 Melbourne

Independent audit report to members of CyGenics Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for CyGenics Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, 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 conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to 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 control, 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 assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Liability limited by a scheme approved under
Professional Standards Legislation

Independent Audit Report

to the Members of CyGenics Ltd

ERNST & YOUNG

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

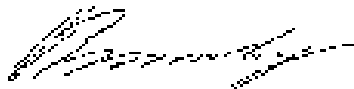
Audit opinion

In our opinion:

- L. the financial report of CyGenics Limited is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of CyGenics Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Don Bramley

Partner

Melbourne

29 September 2006

Directors' Declaration

In accordance with a resolution of the directors of CyGenics Ltd, I state that:

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with 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 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

On behalf of the Board



Steven Fang
29 September 2006

Income Statement

for the financial year ended 30 June 2006

		Consolidated		Company	
	Note	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000
Revenue from the sale of goods and rendering of services	3(a)	6,955	2,159	–	–
Cost of sales	3(b)	(4,611)	(1,378)	–	–
Gross profit		2,344	781	–	–
Other revenue	3(a)	1,315	1,963	387	736
Distribution and marketing expenses		(2,213)	(1,715)	(348)	(420)
Research and development costs		(807)	(1,134)	–	–
Share of loss of an associate	10	(90)	–	–	–
Administration expenses		(7,871)	(6,091)	(1,525)	(1,607)
Other expenses		(241)	(69)	(558)	(57)
Finance costs	3(b)	(69)	(136)	–	–
Loss before income tax		(7,632)	(6,401)	(2,044)	(1,348)
Income tax benefit	4	453	669	–	–
Net loss for the year		(7,179)	(5,732)	(2,044)	(1,348)
Net loss attributable to minority interests		576	151	–	–
Net loss for the year attributable to members		(6,603)	(5,581)	(2,044)	(1,348)
Earnings per share:					
Basic and diluted (cents per share)	19	(9.7)	(8.2)		

Balance Sheet

as at 30 June 2006

		Consolidated		Company	
	Note	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current assets					
Cash and cash equivalents	27	5,694	13,724	2,504	10,939
Trade and other receivables	7	1,677	1,105	9,919	1,803
Inventories	8	572	257	–	–
Total current assets		7,943	15,086	12,423	12,742
Non-current assets					
Other financial assets	9	–	–	52,553	51,828
Investment in an associate	10	298	–	388	–
Property, plant and equipment	11	967	1,058	17	17
Deferred tax assets	4	365	265	–	–
Intangible assets and goodwill	12	44,651	45,845	–	–
Total non-current assets		46,281	47,168	52,958	51,845
Total assets		54,224	62,254	65,381	64,587
Current liabilities					
Trade and other payables	13	1,926	3,623	3,910	1,072
Total current liabilities		1,926	3,623	3,910	1,072
Non-current liabilities					
Deferred revenue		546	–	–	–
Deferred tax liabilities	4	4,110	4,463	–	–
Total non-current liabilities		4,656	4,463	–	–
Total liabilities		6,582	8,086	3,910	1,072
Net assets		47,642	54,168	61,471	63,515
Equity					
Contributed equity	15	65,148	65,148	65,148	65,148
Currency translation reserve	16	(283)	(524)	–	–
Accumulated losses	17	(17,500)	(10,897)	(3,677)	(1,633)
Parent entity interest		47,365	53,727	61,471	63,515
Minority interests	18	277	441	–	–
Total equity		47,642	54,168	61,471	63,515

Cash Flow Statement

for the financial year ended 30 June 2006

		Consolidated		Company	
	Note	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000
Cash flows from operating activities					
Receipts from customers		8,021	3,203	–	–
Payments to suppliers and employees		(13,746)	(8,736)	(1,122)	(1,827)
Interest received		543	633	506	623
Interest and other costs of finance paid		(3)	(3)	–	–
Others – R&D tax concession in Australia		210	–	–	–
Net cash used in operating activities	27(d)	(4,975)	(4,903)	(616)	(1,204)
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	27(b)	7	–	–	–
Purchase of property, plant and equipment		(245)	(877)	(1)	(15)
Purchase of other non-current assets		–	(20)	–	–
Purchase of equity investment		(388)	–	(1,323)	(1,824)
Net cash used in investing activities		(626)	(897)	(1,324)	(1,839)
Cash flows from financing activities					
Proceeds from issue of shares in a subsidiary to minority shareholders		184	580	–	–
Payment for share issue costs		–	(1,056)	–	(1,056)
Advances to related parties		–	–	(6,495)	(1,352)
Repayment of borrowings		(2,736)	–	–	–
Net cash used in financing activities		(2,552)	(476)	(6,495)	(2,408)
Net decrease in cash and cash equivalents held		(8,153)	(6,276)	(8,435)	(5,451)
Cash and cash equivalents at the beginning of the financial year		13,724	20,184	10,939	16,390
Effects of exchange rate changes on the balance of cash held in foreign currencies		123	(184)	–	–
Cash and cash equivalents at the end of the financial year	27(a)	5,694	13,724	2,504	10,939

Statement of Changes in Equity

for the financial year ended 30 June 2006

Consolidated

	Attributable to equity holders of the parent					
	Contributed equity \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000	Minority Interests \$'000	Total equity \$'000
At 1 July 2004	65,348	(397)	(5,316)	59,635	–	59,635
Currency translation differences	–	(127)	–	(127)	20	(107)
Share issue costs recognised in equity	(200)	–	–	(200)	–	(200)
Net loss for the year	–	–	(5,581)	(5,581)	(151)	(5,732)
Share of equity	–	–	–	–	572	572
At 30 June 2005	65,148	(524)	(10,897)	53,727	441	54,168

	Attributable to equity holders of the parent					
	Contributed equity \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000	Minority Interests \$'000	Total equity \$'000
At 1 July 2005	65,148	(524)	(10,897)	53,727	441	54,168
Currency translation differences	–	241	–	241	24	265
Net loss for the year	–	–	(6,603)	(6,603)	(576)	(7,179)
Share of equity	–	–	–	–	388	388
At 30 June 2006	65,148	(283)	(17,500)	47,365	277	47,642

Company

	Contributed equity \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 July 2004	65,348	(285)	65,063
Share issue costs recognised in equity	(200)	–	(200)
Net loss for the year	–	(1,348)	(1,348)
At 30 June 2005	65,148	(1,633)	63,515
At 1 July 2005	65,148	(1,633)	63,515
Net loss for the year	–	(2,044)	(2,044)
At 30 June 2006	65,148	(3,677)	61,471

Notes to the Financial Statements

30 June 2006

1. Corporate information

The financial report of CyGenics Ltd (the “Company”) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 29 September 2006.

CyGenics Ltd is a listed public company, incorporated in Australia and operating in Australia, North America, Asia and Europe. CyGenics Ltd is the ultimate company of the Group.

The Company’s registered office and principal place of business is located at Level 2, 405 Little Bourke Street, Melbourne, Victoria 3000, Australia.

The Company and its controlled entities’ (the “Group”) principal activities in the course of the financial year were providing services, devices and facilities for storing and developing applications for adult stem cells and their related therapies. The Group was also engaged in the manufacture, distribution and trading of research products and medical equipment. Clinical and travel related support services business commenced in September 2005. There have been no significant changes in the nature of those activities during the year.

2. Summary of significant accounting policies

(a) *Basis of Preparation*

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian 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.

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

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.

(b) *Statement of compliance*

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 33.

Notes to the Financial Statements

30 June 2006

2. Summary of significant accounting policies (cont'd)

(b) *Statement of compliance (cont'd)*

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2004-3	AASB 1 <i>First-time adoption of AIFRS</i> AASB 101 <i>Presentation of Financial Statements</i> AASB 124 <i>Related Party Disclosures</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3: <i>Business Combinations</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-9	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> and AASB 132: <i>Financial Instruments: Disclosure and Presentation</i>	The parent may recognise a liability in respect of a financial guarantee on behalf of its subsidiary. The Group is still determining the impact	1 January 2006	1 July 2006

Notes to the Financial Statements

30 June 2006

2. Summary of significant accounting policies (cont'd)

(b) *Statement of compliance (cont'd)*

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2005-10	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1038: <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
2006-1	AASB 121 <i>The Effects of Change in Foreign Currency Rates</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
New standard	AASB 119 <i>Employee Benefits</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
New standard	AASB 7: <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
New UIG	UIG 4 <i>Determining whether an Arrangement contains a Lease</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006

Notes to the Financial Statements

30 June 2006

2. Summary of significant accounting policies (cont'd)

(b) *Statement of compliance (cont'd)*

The following amendments are not applicable to the Group and therefore have no impact.

AASB Amendment	Affected Standard(s)
2005-2	AASB 1023: <i>General Insurance Contracts</i>
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1028: <i>Life Insurance Contracts</i>
2005-9	AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contract</i>
2005-12	AASB 1038: <i>Life Insurance Contracts</i> and AASB 1023: <i>General Insurance Contracts</i>
2005-13	AAS 25: <i>Financial Reporting by Superannuation Plans</i>
New UIG	UIG 5 Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds
New UIG	UIG 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
New UIG	UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
New UIG	UIG 8 Scope of AASB 2
New UIG	UIG 9 Reassessment of Embedded Derivatives

(c) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of CyGenics Ltd and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

2. Summary of significant accounting policies (cont'd)

(c) ***Basis of consolidation (cont'd)***

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which CyGenics Ltd has control.

Biocell Pty Ltd has been included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of Biocell Pty Ltd for the eight-month period from its acquisition on 1 November 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in Cordlife (Hong Kong) Ltd, Biocell Pty Ltd and Cordlife Sciences (India) Pvt Ltd not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

(d) ***Significant accounting estimates and assumptions***

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 12.

(e) ***Impairment of financial assets***

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

(e) **Impairment of financial assets (cont'd)**

(i) *Financial assets carried at amortised cost (cont'd)*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

(f) *Foreign currency translation*

Both the functional and presentation currency of CyGenics Ltd and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The functional currencies of the overseas subsidiaries are the respective local currencies of such countries.

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of CyGenics Ltd at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(g) *Property, plant and equipment*

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment	-	3 to 5 years
Plant and equipment	-	3 to 10 years
Leasehold improvements	-	3 years

2. Summary of significant accounting policies (cont'd)

(g) **Property, plant and equipment (cont'd)**

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use or disposal of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) **Finance costs**

Finance costs are recognised as an expense when incurred.

(i) **Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2. Summary of significant accounting policies (cont'd)

(i) **Goodwill (cont'd)**

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(j) **Intangible assets**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

2. Summary of significant accounting policies (cont'd)

(j) *Intangible assets (cont'd)*

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Patents	-	14 to 16 years
Licences	-	5 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Derecognition and disposal

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(k) *Impairment of assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

2. Summary of significant accounting policies (cont'd)

(k) *Impairment of assets (cont'd)*

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) *Inventories*

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) *Trade and other receivables*

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(n) *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and term deposits with banks.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2. Summary of significant accounting policies (cont'd)

(o) *Interest-bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(p) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(q) *Share-based payment transactions*

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Currently the company has an Options and Performance Rights Plan in place to provide these benefits. Further details of the Plan are set out in note 32.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of CyGenics Ltd ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

2. Summary of significant accounting policies (cont'd)

(q) *Share-based payment transactions (cont'd)*

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(r) *Leases*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

(s) **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

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

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(t) **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

(u) **Investment in associate**

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

2. Summary of significant accounting policies (cont'd)

(u) *Investment in associate (cont'd)*

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of recognised income and expense.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(v) *Income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. Summary of significant accounting policies (cont'd)

(v) *Income tax (cont'd)*

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(w) *Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2. Summary of significant accounting policies (cont'd)

(x) *Derecognition of financial instruments*

(i) *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

2. Summary of significant accounting policies (cont'd)

(y) **Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(z) **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.

Provision 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.

(aa) **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 balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(bb) **Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

30 June 2006

2. Summary of significant accounting policies (cont'd)

(cc) *Earnings per share*

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. Loss before income tax expense

Loss before income tax includes the following items of revenue and expense:

	Consolidated		Company	
	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000
(a) <i>Revenue</i>				
Revenue from the sale of goods	738	558	—	—
Revenue from the rendering of services	6,217	1,601	—	—
	6,955	2,159	—	—
<i>Other revenue</i>				
Government grants and contracts	809	1,194	—	—
Interest income from banks	428	707	387	694
Foreign exchange gain	—	20	—	31
Others	78	42	—	11
	1,315	1,963	387	736
<i>Total revenue</i>	8,270	4,122	387	736

Notes to the Financial Statements

30 June 2006

3. Loss before income tax expense (cont'd)

Seasonality of operations

The Group does not typically experience seasonality in relation to demand for its products. Subject to revenue growth attributable to new customers, revenues tend to average out on a productive day basis throughout the year, with a similar number of productive days in both halves of the year.

	Consolidated		Company	
	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000
(b) Expenses				
Cost of sales	4,611	1,378	–	–
Finance costs:				
- Interest on license fee payable	67	136	–	–
- Interest on bank overdraft	2	–	–	–
	69	136	–	–
Depreciation of property, plant and equipment	354	241	6	2
Amortisation of intangible assets:*				
- Patents	1,237	1,270	–	–
- Licenses	206	401	–	–
	1,443	1,671	–	–
Operating lease rental expenses				
- Minimum lease payments	540	368	23	23
Staff costs:				
- Wages and salaries	4,347	2,950	672	941
- Defined contribution plan expense	313	196	25	26
	4,660	3,146	697	967
Provision for impairment in controlled entities	–	–	226	–
Other expenses:				
- Legal and professional	317	475	102	178
- Business travel	548	445	248	294
- Consultancy	427	365	211	88
- Advertising and promotion	385	301	14	48

* Amortisation of intangible assets is included in administration expenses in the Income Statement.

Notes to the Financial Statements

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4. 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		Company	
	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000	Year ended 30.6.2006 \$'000	Year ended 30.6.2005 \$'000
Net loss for the year	(7,179)	(5,732)	(2,044)	(1,348)
Income tax expense calculated at the Group's statutory income tax rate of 30%	(2,154)	(1,720)	(613)	(404)
Tax losses and temporary differences not brought to account as deferred tax asset	2,254	1,985	613	404
Patents and licenses	353	404	—	—
Income tax benefit	453	669	—	—

The components of income tax expense in the income statement are:

Current income tax	—	—	—	—
Deferred income tax:				
Losses available for offset against future taxable income	100	265	—	—
Relating to origination and reversal of temporary differences	353	404	—	—
Income tax benefit	453	669	—	—

Consolidated

	Balance sheet		Income statement	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred tax assets				
Losses available for offset against future taxable income	365	265	100	265
	365	265		
Deferred tax liabilities				
Patents and licenses	4,110	4,463	353	404
	4,110	4,463		
Deferred tax income			453	669

4. Income tax (cont'd)

The taxation benefits of certain 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 realised.

Future income tax benefits arising from revenue tax losses of the controlled entities not brought to account are in the amount of approximately \$3,951,135 (2005: \$2,918,252).

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 entities 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.

5. Director and executive disclosures

Details of key management personnel

Directors:

Christopher Fullerton	(Chairman, non-executive)
Steven Fang	(Director, executive)
Ian Brown	(Director, executive)
Eileen Tay	(Director, non-executive)
Christopher Ho	(Director, non-executive, appointed on 23 November 2005)
Alberto J. Bautista	(Director, non-executive, appointed on 15 February 2006)
Mark Pykett	(Director, non-executive, resigned on 23 November 2005)
Anthony Soh	(Director, non-executive, resigned on 23 November 2005)

Executives:

Jeremy Yee	(Chief Financial Officer)
John Khong	(General Manager – Cell Sciences)
John Flickinger	(President – Cytovations)
Simon Lee	(General Manager – Cordlife Hong Kong)
Susan Kheng	(Chief Operating Officer – Cordlife)

Notes to the Financial Statements

30 June 2006

5. Director and executive disclosures (cont'd)

Compensation of key management personnel

The remuneration committee reviews the remuneration packages of all key management personnel 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. Remuneration of all key management personnel is fixed and is not linked to the Group's performance.

	Short-Term			Post Employment			Share-based Payment		Total \$
	Salary and fees \$	Bonus \$	Non- monetary \$	Super- annuation \$	Prescribed benefits \$	Other \$	Options \$	Other benefits \$	
Director									
Chris Fullerton									
2006	60,000	–	–	5,400	–	–	–	–	65,400
2005	60,000	–	–	5,400	–	–	–	–	65,400
Steven Fang									
2006	258,927	–	–	6,069	–	–	–	–	264,996
2005	258,060	–	–	6,936	–	–	–	–	264,996
Ian Brown									
2006	138,348	–	–	12,456	–	–	–	–	150,804
2005	138,348	–	–	12,456	–	–	–	–	150,804
Mark Pykett									
2006*	57,503	–	–	–	–	–	–	–	57,503
2005*	165,166	–	–	–	–	–	–	–	165,166
Anthony Soh									
2006	17,875	–	–	–	–	–	–	–	17,875
2005	45,000	–	–	–	–	–	–	–	45,000
Eileen Tay									
2006	45,000	–	–	–	–	–	–	–	45,000
2005	45,000	–	–	–	–	–	–	–	45,000
Christopher Ho									
2006	27,250	–	–	–	–	–	–	–	27,250
2005	–	–	–	–	–	–	–	–	–
Alberto Bautista									
2006^	69,123	–	–	–	–	–	–	–	69,123
2005	–	–	–	–	–	–	–	–	–
Total remuneration: Directors									
Total									
2006	674,026	–	–	23,925	–	–	–	–	697,951
2005*	711,574	–	–	24,792	–	–	–	–	736,366

^ Alberto Bautista's remuneration for 2006 includes non-executive director fees of \$15,000 and consultant fees of \$54,123. Prior to his appointment as a non-executive director, he was engaged with the Company as a consultant.

* Mark Pykett's remuneration for 2006 includes non-executive director fees of \$17,875 and consultant fees of \$39,628. His remuneration for 2005 includes executive director remuneration of \$114,278, non-executive director fees of \$18,750 and consultant fees of \$32,138. He had transited from an executive to a non-executive role on 1 February 2005.

Notes to the Financial Statements

30 June 2006

5. Director and executive disclosures (cont'd)

	Short-Term			Post Employment			Share-based Payment		Total \$
	Salary and fees \$	Bonus \$	Non- monetary \$	Super- annuation \$	Prescribed benefits \$	Other \$	Options \$	Other benefits \$	
Executive									
Jeremy Yee									
2006	144,735	—	—	6,069	—	—	—	—	150,804
2005	143,868	—	—	6,936	—	—	—	—	150,804
John Khong									
2006	103,194	—	—	1,636	—	—	—	—	104,830
2005	23,910	—	—	418	—	—	—	—	24,328
John Flickinger									
2006	143,151	—	—	—	—	—	—	—	143,151
2005	127,735	—	—	—	—	—	—	—	127,735
Simon Lee									
2006	78,231	—	—	6,069	—	—	—	—	84,300
2005	60,731	—	—	6,527	—	—	—	—	67,258
Susan Kheng									
2006	61,916	—	—	6,069	—	—	—	—	67,985
2005	53,798	—	—	6,268	—	—	—	—	60,066
Total remuneration: Executives									
Total									
2006	531,227	—	—	19,843	—	—	—	—	551,070
2005*	410,042	—	—	20,149	—	—	—	—	430,191

* Group totals in respect of the financial year ended 2005 do not necessarily equal the sums of amounts disclosed for 2005 for individuals specified in 2006, as different individuals were specified in 2005.

The compensation of key management personnel for the financial years ended 2006 and 2005 did not include any performance related compensation. The options previously approved by the shareholders on 23 November 2005 to Steven Fang and Ian Brown were not issued by the Board by 30 June 2006 and are no longer valid. Further details of the Options and Performance Rights Plan are set out in note 32.

Compensation by category of key management personnel

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2006 \$
Short-Term	1,205,253	1,121,616	818,761	855,442
Post Employment	43,768	44,941	29,994	31,728
Share-based Payment	—	—	—	—
	<u>1,249,021</u>	<u>1,166,557</u>	<u>848,755</u>	<u>887,170</u>

5. Director and executive disclosures (cont'd)

Remuneration philosophy

The performance of the Company and its controlled entities depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Company's remuneration framework is embodied with the principles of providing competitive rewards to attract high calibre executives and link executive rewards to shareholder value.

Remuneration committee

The Remuneration Committee reviews the remuneration packages of all executive directors and senior executives 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; and
- Options and Performance Rights Plan.

Further details of the Options and Performance Rights Plan are set out in note 32.

Remuneration structure

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

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Under the Company's constitution, the directors are to be paid such remuneration not exceeding an amount that is authorised by an ordinary resolution of the Company approved in general meeting. The non-executive directors are currently entitled to receive up to an aggregate of \$250,000, to be divided between them as directors' fees.

Employment contracts

The Chief Executive Officer, Mr Steven Fang, is employed under contract. On 1 May 2004, the Company entered into a contract of employment with Mr Fang (the "employee"), appointing him as its Group CEO. The key features of the contract may be summarised as follows:

- The Company may terminate the employee's employment by giving 3 months' written notice to the employee and may make payment to him in a sum equal to the base salary he would have earned if he had been given the relevant period of notice;

5. Director and executive disclosures (cont'd)

- The Company may terminate the employee's appointment immediately without notice (or payment in lieu of notice) if the employee:
 - fails or refuses to comply with a reasonable and lawful direction given to him by the Company;
 - is, in the reasonable opinion of the Company, guilty of serious and wilful neglect or misconduct in the discharge of his duties;
 - has committed a serious breach, or is persistently in breach of any term of the contract and has failed to remedy such breach within 14 days of being requested by the Company in writing to do so;
 - becomes mentally incapable;
 - is made bankrupt;
 - is charged with any criminal offence which may bring the Company into disrepute;
 - breaches any material provision of the contract.
- The employee may terminate the employment by giving a period of notice of 3 months in writing. Failure to give such notice entitles the Company to deduct from any monies owing to the employee an amount representing the number of weeks or days of the notice period the employee did not work.

The other key management personnel are also under employment contracts, the key features of which are as follows:

- The Company may terminate the employee's employment by giving 2 to 3 months' written notice to the employee and may make payment to him in a sum equal to the base salary he would have earned if he had been given the relevant period of notice;
- The Company may terminate the employee's appointment immediately without notice (or payment in lieu of notice) if the employee:
 - fails or refuses to comply with a reasonable and lawful direction given to him by the Company;
 - is, in the reasonable opinion of the Company, guilty of serious and wilful neglect or misconduct in the discharge of his duties;
 - has committed a serious breach, or is persistently in breach of any term of the contract and has failed to remedy such breach within 14 days of being requested by the Company in writing to do so;
 - becomes mentally incapable;
 - is made bankrupt;
 - is charged with any criminal offence which may bring the Company into disrepute;
 - breaches any material provision of the contract.
- The employee may terminate the employment by giving a period of notice of 2 to 3 months in writing. Failure to give such notice entitles the Company to deduct from any monies owing to the employee an amount representing the number of weeks or days of the notice period the employee did not work.

Notes to the Financial Statements

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6. Remuneration of auditors

	Consolidated		Company	
	Year ended 30.6.2006	Year ended 30.6.2005	Year ended 30.6.2006	Year ended 30.6.2005
	\$	\$	\$	\$
Auditor of the parent entity				
Assurance based services	122,000	100,000	84,800	78,800
Other services:				
Corporate finance – due diligence	–	19,475	–	19,475
Accounting advice – AIFRS	–	21,000	–	21,000
Tax compliance services	11,900	6,250	–	–
	133,900	146,725	84,800	119,275
Other auditors				
Assurance based services	9,666	349	–	–
	9,666	349	–	–
	143,566	147,074	84,800	119,275

7. Trade and other receivables

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables	1,308	703	–	–
Allowance for doubtful debts	(6)	(5)	–	–
	1,302	698	–	–
Goods and services tax (GST) recoverable	75	65	13	11
Other – Interest receivables and other miscellaneous	300	342	61	195
Amounts owing from controlled entities	–	–	9,845	1,597
	1,677	1,105	9,919	1,803

Terms and conditions

Terms and conditions relating to the above financial instruments are as follows:

- (i) Trade receivables are non-interest bearing and generally on 30 to 60 day terms.
- (ii) Interest receivables are due on maturity of fixed deposits.
- (iii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
- (iv) Amounts owing from controlled entities are interest-free and have no fixed terms of repayment.

Details regarding the effective interest rate and credit risk of current receivables are disclosed in note 28.

Notes to the Financial Statements

30 June 2006

8. Inventories

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Raw materials :				
At cost	–	15	–	–
Finished goods :				
At cost	572	242	–	–
	<u>572</u>	<u>257</u>	<u>–</u>	<u>–</u>

9. Other non-current financial assets

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Share in controlled entities - at cost (note 22)	–	–	52,779	51,828
Less : Provision for impairment in controlled entities	–	–	(226)	–
	<u>–</u>	<u>–</u>	<u>52,553</u>	<u>51,828</u>

10. Investment in an associate

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Shares in an associate - at cost	388	–	388	–
Less : Share of loss of an associate	(90)	–	–	–
	<u>298</u>	<u>–</u>	<u>388</u>	<u>–</u>

On 1 June 2006, CyGenics Ltd acquired 20% interest in Pharmacell B.V., a company incorporated in the Netherlands, with the consideration of acquisition being \$388,000 for new shares in the company. CyGenics Ltd has been granted call options whereby it can acquire the balance 80% of the shares of Pharmacell B.V.. The call options can be exercised after two years but not later than five years from the date of acquisition of the initial interest. If and when Cygenics Ltd exercises the call options, the purchase price for the shares should be the fair market value thereof, as determined by a procedure and valuation method to be agreed upon by all shareholders.

Pharmacell B.V. is a life sciences company providing know-how and resources for product and process design combined with GMP manufacturing in its own facility. The company is located in Maastricht, the Netherlands.

Notes to the Financial Statements

30 June 2006

10. Investment in an associate (cont'd)

The following table illustrates summarised financial information relating to the Group's investment in Pharmacell B.V.:

	Consolidated	
	2006	2005
	\$'000	\$'000
<i>Share of associate's balance sheet:</i>		
Current assets	108	—
Non-current assets	45	—
Current liabilities	(180)	—
Non-current liabilities	(69)	—
Net liabilities	(96)	—
<i>Share of associate's profit or loss:</i>		
Loss before income tax	(90)	—
Income tax expense	—	—
Loss after income tax	(90)	—

Notes to the Financial Statements

30 June 2006

11. Property, plant and equipment

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Leasehold improvements				
At cost	154	142	–	–
Accumulated depreciation	(61)	(23)	–	–
	93	119	–	–
Office equipment				
At cost	875	551	24	19
Accumulated depreciation	(459)	(98)	(7)	(2)
	416	453	17	17
Plant and equipment				
At cost	1,101	536	–	–
Accumulated depreciation	(643)	(50)	–	–
	458	486	–	–
Total property, plant and equipment				
At cost	2,130	1,229	24	19
Accumulated depreciation	(1,163)	(171)	(7)	(2)
Total written down amount	967	1,058	17	17

Reconciliation

Leasehold improvements				
Carrying amount at beginning	119	43	–	–
Additions	6	104	–	–
Depreciation expense	(36)	(23)	–	–
Exchange rate adjustment	4	(5)	–	–
	93	119	–	–
Office equipment				
Carrying amount at beginning	453	145	17	–
Acquisition	7	–	–	–
Additions	117	437	6	21
Disposals	–	–	–	(2)
Depreciation expense	(199)	(110)	(6)	(2)
Exchange rate adjustment	38	(19)	–	–
	416	453	17	17
Plant and equipment				
Carrying amount at beginning	486	350	–	–
Additions	61	278	–	–
Depreciation expense	(119)	(108)	–	–
Exchange rate adjustment	30	(34)	–	–
	458	486	–	–

Notes to the Financial Statements

30 June 2006

12. Intangible assets and goodwill

	Consolidated	
	2006 \$'000	2005 \$'000
Goodwill	28,241	27,998
Accumulated amortisation	–	–
	28,241	27,998
Patents	18,928	18,928
Accumulated amortisation	(2,524)	(1,287)
Exchange rate adjustment	(8)	(9)
	16,396	17,632
Licenses	692	692
Accumulated amortisation	(625)	(419)
Exchange rate adjustment	(53)	(58)
	14	215
	44,651	45,845

The aggregate amortisation for the year was \$1,442,728.

Reconciliation

Reconciliation of the carrying amounts of intangible assets and goodwill at the beginning and end of the current financial year.

	Consolidated	
	2006 \$'000	2005 \$'000
Goodwill		
Carrying amount at beginning	27,998	27,998
Additions	243	–
Disposals	–	–
Impairment	–	–
Exchange rate adjustment	–	–
	28,241	27,998
Patents		
Carrying amount at beginning	17,632	18,916
Additions	–	–
Disposals	–	(5)
Amortisation	(1,237)	(1,270)
Exchange rate adjustment	1	(9)
	16,396	17,632
Licenses		
Carrying amount at beginning	215	652
Additions	–	22
Disposals	–	–
Amortisation	(206)	(401)
Exchange rate adjustment	5	(58)
	14	215

12. Intangible assets and goodwill (cont'd)

Patents and licences include intangible assets acquired through business combinations. Intangibles assessed as having a finite life is amortised using the straight line method over the estimated useful life of the asset (patents – 14 to 16 years and licences – 5 years). If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

As from 1 July 2004, goodwill is no longer amortised but is now subject to annual impairment testing.

Goodwill acquired through business combinations have been allocated to three individual cash generating units, which are reporting segments, for impairment testing as follows:

- Tissue banking business in Singapore, Indonesia and Hong Kong;
- Tissue banking business in Australia and
- Spinners business.

Tissue banking business in Singapore, Indonesia and Hong Kong

The recoverable amount of the tissue banking business has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rate applied to cash flow projections is 15% (2005: 15%) and cash flows beyond the five-year period are extrapolated using a 4% average growth rate (2005: 4%), which is similar to the long-term average growth rate for the tissue banking industry generally.

Tissue banking business in Australia

The recoverable amount of the tissue banking business has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rate applied to cash flow projections is 15% (2005: 15%) and cash flows beyond the five-year period are extrapolated using a 4% average growth rate (2005: 4%), which is similar to the long-term average growth rate for the tissue banking industry generally.

Spinners business

The recoverable amount of the spinners business is also determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rate applied to the cash flow projections is 20% (2005: 20%). The average growth rate used to extrapolate the cash flows of the spinners business beyond the five-year period is 5% (2005: 5%), which is similar to the long-term average growth rate for the spinners industry generally.

Notes to the Financial Statements

30 June 2006

12. Intangible assets and goodwill (cont'd)

Carrying amount of goodwill allocated to each of the cash generating units

	Consolidated	
	2006 \$'000	2005 \$'000
Cash generating unit		
Tissue banking business in Singapore, Indonesia and Hong Kong	27,500	27,500
Tissue banking business in Australia	243	—
Spinners business	498	498
Carrying amount of goodwill	28,241	27,998

Key assumptions used in value in use calculations for the cash generating units for 30 June 2006 and 30 June 2005

The following describes the key assumptions on which management has based its cash flow projections when determining the value in use of the cash generating units.

- Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the gross margin achieved in the year immediately before the budgeted year. Thus, values assigned to gross margins reflect past experience.
- Raw materials price inflation – the basis used to determine the value assigned to the raw materials price inflation for the spinners business is the forecast price index during the budget year for Singapore and for the US, being where raw materials are sourced. Values assigned to this key assumption are consistent with external sources of information.

13. Trade and other payables

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables	737	384	—	—
Deferred revenue	279	8	—	—
Goods and services tax (GST) payable	32	8	—	—
Other – non-trade payables and accruals	878	662	241	197
Accrued interest	—	591	—	—
License fee payable	—	1,970	—	—
Amounts due to controlled entities	—	—	3,669	875
	1,926	3,623	3,910	1,072

Notes to the Financial Statements

30 June 2006

13. Trade and other payables (cont'd)

Terms and conditions

- (i) Trade payables are non-interest bearing and are normally settled in 60-day terms.
- (ii) Amounts due to controlled entities are interest-free and have no fixed terms of repayment.

A one-time license fee, together with accrued interest thereon, of \$2,736,000 (equivalent to US\$2,000,000) was paid on 9 January 2006 to Tantalum Cellular Products LLC ("TCP"). On 1 January 2000, Cytomatrix LLC, a wholly-owned and controlled entity of CyGenics Ltd, had entered into a license agreement with TCP pursuant to which TCP, as licensor, granted to Cytomatrix LLC a non-royalty bearing exclusive license to use a patent. The license fee payable was originally denominated in US\$ and was unhedged.

14. Employee benefits

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Accrued wages and salaries *	99	—	—	—
Annual leave entitlements *	191	148	74	67
	<u>290</u>	<u>148</u>	<u>74</u>	<u>67</u>

Accrued wages and salaries and annual leave entitlements are included in the current non-trade payables balance as disclosed in note 13 to the financial statements.

	Consolidated		Company	
	2006	2005	2006	2005
Number of employees at end of financial period	95	61	3	3

15. Contributed equity

	Consolidated and Company	
	2006	2005
	\$'000	\$'000
68,000,000 fully paid ordinary shares	65,148	65,148
Fully paid ordinary shares :		
Balance at beginning of financial year	65,148	65,348
Transactions costs related to issue of shares	—	(200)
Balance at end of financial year	<u>65,148</u>	<u>65,148</u>

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

Transaction costs relate to issue of shares on Initial Public Offering in June 2004.

Notes to the Financial Statements

30 June 2006

16. Reserves

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Foreign currency translation	(283)	(524)	–	–
Foreign currency translation reserve				
Balance at beginning of financial year	(524)	(397)	–	–
Translation of foreign operations	241	(127)	–	–
Balance at end of financial year	(283)	(524)	–	–

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

17. Accumulated losses

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at beginning of financial year	(10,897)	(5,316)	(1,633)	(285)
Net loss for the year	(7,179)	(5,732)	(2,044)	(1,348)
Net loss attributable to minority Interests	576	151	–	–
Balance at end of financial year	(17,500)	(10,897)	(3,677)	(1,633)

18. Minority interests

	Consolidated	
	2006 \$'000	2005 \$'000
Reconciliation of minority interests:		
Opening balance	441	–
Add: Share of contributed equity	388	572
Less: Share of operating loss	(576)	(151)
Add: Currency translation difference	24	20
Closing balance	277	441

Minority interests represent the interest in Cordlife (Hong Kong) Ltd, Biocell Pty Ltd and Cordlife Sciences (India) Pvt Ltd not held by the Group.

19. Earnings per share

	Consolidated	
	2006 Cents	2005 Cents
Basic and diluted earnings per share	(9.7)	(8.2)

Notes to the Financial Statements

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19. Earnings per share (cont'd)

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:

	Consolidated	
	2006	2005
	\$'000	\$'000
Net loss for the year attributable to members	6,603	5,581
	'000	'000
Weighted average number of ordinary shares	68,000	68,000

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.

20. Commitments for expenditure

Lease commitments

Non-cancellable operating lease commitments are disclosed in note 21 to the financial statements.

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

21. Leases

Leasing arrangements

Operating leases relate to office premises with lease terms of between 2 to 4 years, with an option to extend for a further 1 to 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.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2006	2005
	\$'000	\$'000
<i>Non-cancellable operating leases</i>		
Within one year	472	407
After one year and not more than 5 years	211	535
More than 5 years	—	—
	683	942

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22. Controlled entities

Name of company	Country of incorporation	Cost of investment		Percentage of equity held by the Group	
		2006 \$'000	2005 \$'000	2006 %	2005 %
Parent entity					
CyGenics Ltd	Australia				
Controlled entities					
Cordlife Pte Ltd	Singapore	50,000	50,000	100	100
Cell Sciences Pte Ltd	Singapore	1,114	1,114	100	100
CLS Services Pte Ltd~	Singapore	—	—	100	—
Cordlife International Pte Ltd^	Singapore	—	—	100	100
CyGenics (Singapore) Pte Ltd	Singapore	*	—	100	—
Cytomatrix LLC	USA	*	*	100	100
Cytovations Inc	USA	1	1	100	100
Cell Sciences Therapeutics Inc	USA	*	*	100	100
Cordlife (M) Sdn Bhd^	Malaysia	—	—	100	100
Cordlife Pty Ltd^	Australia	—	—	100	100
Cytomatrix Pty Ltd	Australia	*	*	100	100
Biocell Pty Ltd	Australia	635	—	51	—
CyGenics UK Ltd	United Kingdom	3	3	100	100
Cordlife (Hong Kong) Ltd	Hong Kong	609	609	51	51
Shanghai Cordlife Stem Cell Research Co. Ltd^	Peoples Republic of China	—	—	100	100
Cordlife Sciences Ltd	Thailand	101	101	100	100
CyGenics (Thailand) Ltd#	Thailand	15	—	49	—
Cordlife Sciences (India) Pvt Ltd+	India	—	—	85	—
PT Cordlife Indonesia^	Indonesia	—	—	100	—
Cordlife Medical Phils Inc.	Philippines	269	—	100	-
CLS Services B.V.	Netherlands	32	—	100	-
		52,779	51,828		

^ Investments held by Cordlife Pte Ltd

~ Investments held by Cell Sciences Pte Ltd

+ Investments held by CyGenics (Singapore) Pte Ltd

* Amount less than \$1,000

Cygenics (Thailand) Ltd, incorporated during the year, is considered a controlled entity as CyGenics Ltd has 99% of the voting rights and share of profits

Notes to the Financial Statements

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23. Acquisition of businesses

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition \$'000
Controlled entities				
Biocell Pty Ltd	Tissue banking	1 November 2005	51	530

On 1 November 2005, CyGenics Ltd acquired 51% interest in Biocell Pty Ltd, a company incorporated in Australia, with the consideration of acquisition being \$529,880, for new shares in the company. This did not involve cash flows at the consolidated level. The net cash acquired from Biocell Pty Ltd on the acquisition was \$6,829.

From the date of acquisition, Biocell Pty Ltd has contributed a loss of \$662,000 to the net loss of the Group.

If the combination had taken place at the beginning of the financial year, the net loss for the Group would have been \$7,317,000 and revenue would have been \$8,418,000.

At the acquisition date, the fair value of identifiable assets and liabilities recognised on acquisition approximates their carrying amounts immediately prior to the business combination.

Further details of the acquisition of businesses are disclosed in note 27(b) to the financial statements.

24. Segment information

The Group's primary segment reporting format is business segments as the Group's risk and rates of return are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

Products and services within each business segment

For management purposes, the consolidated entity is organised into four major operating divisions – tissue banking, cell therapeutics, clinical and travel related support services and research and other 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:

- Tissue banking Storing of umbilical cord blood samples.
- Cell therapeutics Cell therapy products and services, vaccine screening and clinical trials.
- Clinical and travel related support services Medical ground support to cover a variety of health therapies and cell transplantations for patients, ticketing and accommodation, including corporate travel.
- Research and other products Manufacture of stem-cell related products (eg. paddle, statamatrix, starwheel) and distribution of medical equipment (eg. RITA, Zonare).

24. Segment information (cont'd)

Transfer prices between business segments are set at an arms length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Products and services within each geographical segment

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

- **Australia**
The group holding company is based in Australia and directs the growth in the business of the Group around the world as well as carries out tissue banking and technological development.
- **North America**
The group deals in research products, cell therapeutics and technology development in the US.
- **Asia**
The group operates tissue banking in Singapore and Hong Kong with sales office in Indonesia, Thailand and the Philippines. It is in the process of establishing a tissue banking facility in India. It also deals in research and other products as well as clinical and travel related support services.
- **Europe**
CyGenics group commenced business development activities in the United Kingdom during the financial year in the areas of cord blood banking and therapeutics.

Notes to the Financial Statements

30 June 2006

24. Segment information (cont'd)

Business segments

	External sales \$'000	Inter-segment \$'000	Other \$'000	Total \$'000
Segment revenues				
Year ended 30.6.2006				
Tissue banking	3,597	—	3	3,600
Cell therapeutics	851	—	—	851
Clinical and travel related support services	2,575	299	—	2,874
Research and other products	738	191	—	929
Total of all segments				8,254
Eliminations				(490)
Interest income				428
Other unallocated				78
Consolidated				8,270
Year ended 30.6.2005				
Tissue banking	1,601	—	70	1,671
Cell therapeutics	1,124	—	—	1,124
Clinical and travel related support services	—	—	—	—
Research and other products	558	59	—	617
Total of all segments				3,412
Eliminations				(59)
Interest income				707
Other unallocated				62
Consolidated				4,122

Notes to the Financial Statements

30 June 2006

24. Segment information (cont'd)

Segment results

Year ended 30.6.2006

	Total \$'000
Tissue banking:	
Singapore	(351)
Hong Kong	(396)
Australia	(682)
Other markets under development	(310)
	(1,739)
Cell therapeutics:	
Vaccine screening	(616)
Clinical trials	(624)
Cell therapy products and services	(913)
	(2,153)
Clinical and travel related support services	(210)
Research and other products	(469)
	(4,571)
Total of all segments	422
Eliminations	(1,443)
Amortisation of intangible assets	(2,040)
Unallocated	(7,632)
Loss before income tax	453
Income tax benefit	(7,179)
Net loss for the year	(7,179)

Year ended 30.6.2005

	Total \$'000
Tissue banking	
Singapore	(1,053)
Hong Kong	(412)
Australia	(11)
Other markets under development	(166)
	(1,642)
Cell therapeutics:	
Vaccine screening	(830)
Clinical trials	(755)
Cell therapy products and services	(49)
	(1,634)
Clinical and travel related support services	—
Research and other products	(586)
	(3,862)
Total of all segments	21
Eliminations	(1,671)
Amortisation of intangible assets	(889)
Unallocated	(6,401)
Loss before income tax	669
Income tax benefit	(5,732)
Net loss for the year	(5,732)

Notes to the Financial Statements

30 June 2006

24. Segment information (cont'd)

	Assets \$'000	Liabilities \$'000
Segment assets and liabilities		
30.6.2006		
Tissue banking	36,107	3,450
Cell therapeutics	17,015	11,762
Clinical and travel related support services	939	1,042
Research and other products	2,211	1,040
Total of all segments	56,272	17,294
Eliminations	(5,865)	(12,023)
Unallocated	3,817	1,311
Consolidated	54,224	6,582
30.6.2005		
Tissue banking	33,443	1,287
Cell therapeutics	18,812	10,141
Clinical and travel related support services	—	—
Research and other products	2,855	1,072
Total of all segments	55,110	12,500
Eliminations	(4,019)	(4,611)
Unallocated	11,163	197
Consolidated	62,254	8,086

Intangible assets have been allocated to respective business segments.

Investment in an associate of \$298,000 (2005: Nil) has been allocated to the cell therapeutics business segment.

	Tissue banking \$'000	Cell therapeutics \$'000	Research products \$'000	Clinical and travel related support services \$'000	Un- allocated \$'000	Elimi- nations \$'000	Total \$'000
Other segment information							
Year ended 30.6.2006							
Depreciation and amortisation of segment assets	244	1,492	38	10	13	—	1,797
Acquisition of property, plant and equipment and intangible assets	305	350	10	44	36	(311)	434
Year ended 30.6.2005							
Depreciation and amortisation of segment assets	96	1,714	100	—	2	—	1,912
Acquisition of property, plant and equipment and intangible assets	644	134	228	—	19	(184)	841

Notes to the Financial Statements

30 June 2006

24. Segment information (cont'd)

	Revenue from external customers Year ended 30.6.2006 \$'000	Segment assets 30.6.2006 \$'000
Asia	6,381	33,105
North America	670	17,162
Australia	1,063	3,808
Europe	156	149
	<u>8,270</u>	<u>54,224</u>
	Revenue from external customers Year ended 30.6.2005 \$'000	Segment assets 30.6.2005 \$'000
Asia	2,260	31,973
North America	1,108	18,750
Australia	754	11,419
Europe	—	112
	<u>4,122</u>	<u>62,254</u>

	Asia \$'000	North America \$'000	Australia \$'000	Europe \$'000	Eliminations \$'000	Total \$'000
Other segment information						
Year ended 30.6.2006						
Acquisition of property, plant and equipment and intangible assets	130	345	270	—	(311)	434
Year ended 30.6.2005						
Acquisition of property, plant and equipment and intangible assets	870	110	43	2	(184)	841

Notes to the Financial Statements

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25. Related party and director and executive disclosures

(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 22 to the financial statements.

(b) *Director and executive remuneration*

Details of director and executive remuneration are disclosed in note 5 to the financial statements.

(c) *Transactions between subsidiaries*

During the financial year, sale and purchase transactions between subsidiaries amounted to \$490,000 (2005: \$59,000). Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. There were no other transactions between the Company and its subsidiaries or between subsidiaries during the current or the previous financial year.

(d) *Transactions with associate*

The Group has a 20% interest in Pharmacell B.V. (2005: Nil). There were no transactions between the Company or any of its subsidiaries and the associate during the financial year.

(e) *Shareholdings of key management personnel*

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Fully paid ordinary shares of CyGenics Ltd:

	Balance at 1/7/05 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/06 No.	Balance held nominally No.
Directors:						
Christopher Fullerton	2,800,000	—	—	200,000	3,000,000	—
Steven Fang	8,729,960	—	—	—	8,729,960	—
Ian Brown	339,890	—	—	—	339,890	—
Eileen Tay	—	—	—	—	—	—
Christopher Ho	682,283	—	—	—	682,283	—
Alberto J. Bautista	—	—	—	248,480	248,480	—
Mark Pykett	1,947,266	—	—	(54,333)	1,892,933	—
Anthony Soh	2,481,028	—	—	(1,781,192)	699,836	—
Executives:						
Jeremy Yee	326,034	—	—	—	326,034	—
John Khong	—	—	—	—	—	—
John Flickinger	9,934	—	—	—	9,934	—
Susan Kheng	426,970	—	—	(20,000)	406,970	—
Simon Lee	425,263	—	—	—	425,263	—
	18,168,628	—	—	(1,407,045)	16,761,583	—

Notes to the Financial Statements

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26. Events after the balance sheet date

On 1 September 2006, the Company disposed of its wholly-owned subsidiary, Cell Sciences Pte Ltd, in exchange for 19.7% equity stake in DNAPro (M) Sdn Bhd, a company incorporated in Malaysia. The Company has been granted call options whereby it can acquire up to 39% of all shares of DNAPro (M) Sdn Bhd. The call options can be exercised after two years but not later than five years from the date of acquisition of the initial interest. Additionally, the Company may also exercise these options prior to an Initial Public Offering of DNAPro (M) Sdn Bhd. If and when the Company exercises the call options, the purchase price for the shares should be the fair market value thereof, as independently assessed by an internationally recognised accounting firm, or if preferred and agreed by all shareholders, an alternate valuation method. DNAPro is engaged in manufacturing and trading of biopharmaceutical products. These include hepatitis B vaccine (recombinant), and anti-cancer and anti-AIDS vaccines. It supplies various medical products to the Malaysian government and the private sector. The transaction will result in a gain on disposal of approximately \$450,000 in the consolidated financial statements of CyGenics Ltd for the year ending 30 June 2007. The amount is calculated as the excess of fair value of the Company's investment in DNAPro of \$335,000 over the net tangible liabilities of Cell Sciences on 31 August 2006 of approximately \$115,000.

On 25 September 2006, the Company entered in an equity partnership venture with PT Kalbe Farma ("Kalbe") in Indonesia through its subsidiary Cordlife International Pte Ltd. The share of equity between the Company and Kalbe is 51% and 49% respectively. CyGenics plans to build and operate a full umbilical cord blood tissue processing and storage facility in Indonesia. This is an important step in the Company's strategy of focussing on its core business of tissue banking and further strengthens its presence in Indonesia, a large and important market in Asia. The Company will leverage off established networks of Kalbe to grow revenues significantly in Indonesia.

27. Notes to the cash flow statement

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Reconciliation of cash				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:				
Cash at bank and in hand	5,018	3,024	2,504	939
Term deposits with banks	606	10,568	—	10,000
Others – money market instruments with banks	70	132	—	—
Cash and cash equivalents	<u>5,694</u>	<u>13,724</u>	<u>2,504</u>	<u>10,939</u>

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Financial Statements

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27. Notes to the cash flow statement (cont'd)

(b) Businesses acquired

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Details of acquisitions during the financial year are as follows:				
Consideration :				
Ordinary shares	—	—	—	—
	—	—	—	—
Fair value of net assets acquired				
Current assets:				
Cash	7	—	—	—
Receivables	826	—	—	—
Non-current assets:				
Property, plant and equipment	7	—	—	—
Current liabilities:				
Payables	(278)	—	—	—
Fair value of net assets acquired	562	—	—	—
CyGenics Ltd's interest in the fair value of net assets				
Net assets acquired	287	—	—	—
Goodwill on acquisition	243	—	—	—
Consideration*	530	—	—	—
Net cash inflow on acquisition				
Cash consideration*	—	—	—	—
Less: cash balances acquired	7	—	—	—
	7	—	—	—

* On 1 November 2005, CyGenics Ltd acquired 51% interest in Biocell Pty Ltd, a company incorporated in Australia, with the consideration of acquisition being \$529,880 for new shares in the company. This did not involve cash flows at the consolidated level. The net cash acquired from Biocell Pty Ltd on the acquisition was \$6,829.

(c) Financing facilities

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unsecured bank overdraft facility, reviewed annually and payable at call:				
- Amount used	—	—	—	—
- Amount unused	429	390	—	—
	429	390	—	—
Credit standby arrangement - LC and credit card facilities:				
- Amount used	93	3	—	—
- Amount unused	154	207	—	—
	247	210	—	—

Notes to the Financial Statements

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27. Notes to the cash flow statement (cont'd)

- (d) Reconciliation of net loss for the year after related income tax to net cash flows from operating activities:

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Net loss for the year	(7,179)	(5,732)	(2,044)	(1,348)
Depreciation and amortisation of non-current assets	1,797	1,912	6	2
Provision for impairment of subsidiary	—	—	226	—
Interest received	543	633	506	623
Interest and other costs of finance paid	(3)	(3)	—	—
Share of loss of associate company	90	—	—	—
Income tax expense - deferred tax	(453)	(669)	—	—
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Receivables	(1,107)	(891)	646	(440)
Inventories	(315)	(132)	—	—
Increase/(decrease) in liabilities:				
Payables	1,652	(21)	44	(41)
Net cash used in operating activities	(4,975)	(4,903)	(616)	(1,204)

28. Financial risk management objectives and policies

(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 2 to the financial statements.

(b) *Cash flow interest rate risk*

The Group does not have exposure to cash flow interest rate risk as it does not have debt obligations with a floating interest rate.

(c) *Foreign currency risk*

As a result of significant operations in Singapore, the United States and Hong Kong, the Group's balance sheet can be affected significantly by movements in the S\$/A\$, US\$/A\$ and HK\$/A\$ exchange rates. The Group did not seek to hedge this exposure.

(d) *Commodity price risk*

The Group's exposure to commodity price risk is minimal.

(e) *Credit risk*

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

28. Financial risk management objectives and policies (cont'd)

(e) *Credit risk (cont'd)*

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group does not have any significant concentration of credit risk.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

(f) *Liquidity risk*

The Group's exposure to liquidity risk is minimal.

(g) *Interest rate risk*

The consolidated entity had a cash balance of \$5,693,795 at 30 June 2006 (2005: \$13,723,697) earning a variable annual interest rate of approximately 4% (2005: 4%). The consolidated entity had no other significant variable interest-bearing financial assets or liabilities.

29. Financial instruments

Fair values

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.

30. 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".

CyGenics Ltd has guaranteed the bank overdraft facility of its subsidiary Cordlife Pte Ltd upto a maximum amount of \$429,000 (2005: Nil). At 30 June 2006, the facility amount was unused.

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31. Dividends

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

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

32. Options and Performance Rights Plan

A new equity incentive plan, the Options and Performance Rights Plan ("Plan"), was introduced on 23 November 2005 to foster an ownership culture within the consolidated entity and to motivate employees and directors to achieve performance targets of their respective business units. It replaces the earlier Performance Share Plan which was introduced on 5 May 2004. The Plan is administered by the Remuneration Committee. The directors and employees of CyGenics Ltd and its controlled entities are eligible to participate in the Plan, at the absolute discretion of the Remuneration Committee.

The number of ordinary shares in the company acquired or subscribed for or issued upon exercise of a performance right or option under the Plan must not, when aggregated with any other ordinary shares in the company held by the participating directors or executive, exceed 10% of the total ordinary shares in the company issued at the time of issue of the performance rights or options.

The options previously approved by the shareholders on 23 November 2005 to Steven Fang and Ian Brown were not issued by the Board by 30 June 2006 and are no longer valid.

During and since the end of the financial year, no rights or options have been granted under the Plan and the performance hurdles are in the process of being established.

33. Impact of adoption of AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Notes to the Financial Statements

30 June 2006

33. Impact of adoption of AIFRS (cont'd)

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

Business combinations

AASB 3 *Business Combinations* was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS). Accordingly, no adjustment was necessitated for CyGenics Ltd's acquisition of Cordlife Pte Ltd and its subsidiaries on 15 June 2004.

Share-based payment transactions

AASB 2 *Share-Based Payments* is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005. Accordingly, no adjustment was necessitated for equity instruments granted in Cordlife Pte Ltd under the Employee Stock Option Scheme as those vested before 1 January 2005.

Foreign currency translation reserve

The Group has decided not to take advantage of the exemption in AASB 1 and transfer the balance of the foreign currency reserve to retained earnings on transition date.

Financial instruments

The Group has decided not to take advantage of the exemption in AASB 1 on account of financial instruments. There were no differences required to be recorded.

The impact of adopting AIFRS on the total equity and loss after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") are illustrated below:

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Consolidated	
	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under AGAAP	56,966	64,502
Adjustments to equity:		
Write-back of goodwill amortisation (A)	1,400	-
Recognition of deferred tax asset (B)	265	-
Recognition of deferred tax liability (C)	(4,867)	(4,867)
Reversal of deferred tax liability (C)	404	-
Total equity under AIFRS	54,168	59,635

- (A) Under AASB 3 *Business Combinations* goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Under AGAAP, the Group amortised goodwill over 20 years.

Notes to the Financial Statements

30 June 2006

33. Impact of adoption of AIFRS (cont'd)

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS (cont'd)

- (B) Under AASB 112 *Income Taxes* the Group is required to recognise deferred tax assets (including carry forward tax losses) when it is probable that the benefit can be realised. Deferred tax asset arising from post-acquisition tax losses of operating entities Cordlife Pte Ltd and Cell Sciences Pte Ltd has been recognised as it is probable that future assessable income would be derived of a nature and amount sufficient to enable the benefit to be realised.
- (C) A deferred tax liability has arisen due to the application of AASB 112 *Income Taxes*, whereby the tax effect of temporary differences must be recorded. The deferred tax liability relates to the Group's patents and licenses. As the Group has taken advantage of the exemption allowed under AASB 1 and not applied AASB 3 *Business Combinations* to acquisitions prior to transition date, the adjustment is made against retained earnings. The deferred tax liability is reversed in each subsequent period to the extent of the reduction in the net book value of the patents and licenses for the period.

(ii) Reconciliation of loss after tax under AGAAP to that under AIFRS

	Consolidated
	Year ended 30 June 2005 \$'000
Loss after tax as previously reported	(7,801)
Write-back of goodwill amortisation (A)	1,400
Recognition of deferred tax asset (B)	265
Reversal of deferred tax liability (C)	404
Loss after tax under AIFRS	(5,732)

- (A) Under AASB 3 *Business Combinations* goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Under AGAAP, the Group amortised goodwill over 20 years.
- (B) Under AASB 112 *Income Taxes* the Group is required to recognise deferred tax assets (including carry forward tax losses) when it is probable that the benefit can be realised. Deferred tax asset arising from post-acquisition tax losses of operating entities Cordlife Pte Ltd and Cell Sciences Pte Ltd has been recognised as it is probable that future assessable income would be derived of a nature and amount sufficient to enable the benefit to be realised.

Notes to the Financial Statements

30 June 2006

33. Impact of adoption of AIFRS (cont'd)

(ii) Reconciliation of loss after tax under AGAAP to that under AIFRS (cont'd)

- (C) A deferred tax liability has arisen due to the application of AASB 112 *Income Taxes*, whereby the tax effect of temporary differences must be recorded. The deferred tax liability relates to the Group's patents and licenses. As the Group has taken advantage of the exemption allowed under AASB 1 and not applied AASB 3 *Business Combinations* to acquisitions prior to transition date, the adjustment is made against retained earnings. The deferred tax liability is reversed in each subsequent period to the extent of the reduction in the net book value of the patents and licenses for the period.

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004 and as at 30 June 2005

Note	Consolidated					
	AGAAP \$'000	1 July 2004 AIFRS Impact \$'000	AIFRS \$'000	AGAAP \$'000	30 June 2005 AIFRS Impact \$'000	AIFRS \$'000
Current assets						
Cash and cash equivalents	20,184		20,184	13,724		13,724
Trade and other receivables	849		849	1,105		1,105
Inventories	125		125	257		257
Total current assets	21,158		21,158	15,086		15,086
Non-current assets						
Property, plant and equipment	538		538	1,058		1,058
Deferred tax assets (B)	—		—	—	265	265
Intangible assets and goodwill (A)	47,566		47,566	44,445	1,400	45,845
Total non-current assets	48,104		48,104	45,503		47,168
Total assets	69,262		69,262	60,589		62,254
Current liabilities						
Trade and other payables	2,058		2,058	3,623		3,623
Total current liabilities	2,058		2,058	3,623		3,623
Non-current liabilities						
Deferred revenue	—		—	—		—
Trade and other payables	2,702		2,702	—		—
Deferred tax liabilities (C)	—	4,867	4,867	—	4,463	4,463
Total non-current liabilities	2,702		7,569	—		4,463
Total liabilities	4,760		9,627	3,623		8,086
Net assets	64,502		59,635	56,966		54,168
Equity						
Contributed equity	65,348		65,348	65,148		65,148
Currency translation reserve	(397)		(397)	(524)		(524)
Accumulated losses	(449)	(4,867)	(5,316)	(8,099)	(2,798)	(10,897)
Parent entity interest	64,502		59,635	56,525		53,727
Minority interests	—		—	441		441
Total equity	64,502		59,635	56,966		54,168

Notes to the Financial Statements

30 June 2006

33. Impact of adoption of AIFRS (cont'd)

Income Statement for the year ended 30 June 2005

	Note	AGAAP \$'000	Consolidated AIFRS Impact \$'000	AIFRS \$'000
Revenue from the sale of goods and rendering of services		2,159		2,159
Cost of sales		(1,378)		(1,378)
Gross profit		781		781
Other revenue		1,963		1,963
Distribution and marketing expenses		(1,715)		(1,715)
Research and development costs		(1,134)		(1,134)
Administration expenses	(A)	(7,491)	1,400	(6,091)
Other operating expenses		(69)		(69)
Borrowing costs		(136)		(136)
Loss before income tax		(7,801)		(6,401)
Income tax benefit	(B)&(C)	—	669	669
Net loss for the year		(7,801)		(5,732)
Net loss attributable to minority interests		151		151
Net loss for the year attributable to members		(7,650)		(5,581)

AIFRS adjustments for the Company

There were no AIFRS adjustments for the Company.

Material adjustments to the cash flow statement

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Additional Stock Exchange Information

as at 20 September 2006

Number of holders of equity securities

Ordinary share capital

68,000,000 fully paid ordinary shares are held by 514 individual shareholders.

All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities

	Fully paid ordinary shares
1 - 1,000	32
1,001 - 5,000	192
5,001 - 10,000	70
10,001 - 100,000	158
100,001 and over	62
	514
Holding less than a marketable parcel	52

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
—	Not applicable

Additional Stock Exchange Information

as at 20 September 2006

Substantial shareholders		
	Fully paid	
Ordinary shareholders	Number	Percentage
Steven Fang (Boon Sing Fang)	8,729,960	12.84%
National Nominees Limited	6,565,522	9.66%
NEFCO Nominees Pty Ltd	5,001,539	7.35%
Tar Choon Aw	3,721,542	5.47%
	24,018,563	35.32%

Twenty largest holders of quoted equity securities		
	Fully paid	
Ordinary shareholders	Number	Percentage
1) Steven Fang (Boon Sing Fang)	8,729,960	12.84%
2) National Nominees Limited	6,565,522	9.66%
3) NEFCO Nominees Pty Ltd	5,001,539	7.35%
4) Tar Choon Aw	3,721,542	5.47%
5) Queensland Investment Corporation	3,323,856	4.89%
6) Citicorp Nominees Pty Ltd	3,241,102	4.77%
7) Mandalay Capital Pty Ltd	3,000,000	4.41%
8) Tantalum Cellular Products LLC	2,566,972	3.77%
9) ANZ Nominees Limited	2,501,465	3.68%
10) UOB Capital Investments Pte Ltd	1,924,365	2.83%
11) UOB Kay Hian Pte Ltd	1,491,985	2.19%
12) Arrow Asia Opportunity Fund Ltd	1,232,164	1.81%
13) Tiong Aik Corporation Pte Ltd	1,230,514	1.81%
14) CIMB-GK Securities Pte Ltd	1,181,693	1.74%
15) Bee Kee Cheong Chng	868,000	1.28%
16) HSBC Custody Nominees (Australia) Ltd – GSCO ECA	797,000	1.17%
17) UOB JAIC Bio Investments Ltd	796,000	1.17%
18) Mark J Pykett	751,023	1.10%
19) Christopher Han Siong Ho	682,283	1.00%
20) PBC Investments Pty Ltd	660,000	0.97%

Additional Stock Exchange Information

as at 20 September 2006

Company secretary

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Lovegrove Lord and Johnston
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Share registry

Link Market Services Ltd
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Other ASX information for recently listed entities

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

Auditor's Independence Declaration



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Auditor's Independence Declaration to the Directors of CyGenics Limited

In relation to our audit of the financial report of CyGenics Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A handwritten signature of Don Brumley, written in black ink.

Don Brumley
Partner
29 September 2006

Liability limited by a scheme approved under
Professional Standards Legislation



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



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