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DELIVERING HUMAN SOLUTIONS  
SCIGEN LTD : ANNUAL REPORT

2003





# MISSION:

DELIVERING HUMAN SOLUTIONS

SCIGEN IS A PROGRESSIVE BIOPHARMACEUTICAL COMPANY INVOLVED IN THE RESEARCH, DEVELOPMENT AND MARKETING OF STATE-OF-THE-ART GENETICALLY ENGINEERED PRODUCTS FOR HUMAN HEALTHCARE.

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# MD'S REPORT:



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IT IS WITH A GREAT DEAL OF PLEASURE THAT I PRESENT, ON BEHALF OF THE CHAIRMAN AND BOARD OF SCIGEN LIMITED, THE FIRST ANNUAL REPORT FOR SCIGEN AS A PUBLICLY LISTED COMPANY.

THE YEAR IN REVIEW HAS SEEN A NUMBER OF MAJOR MILESTONES PASSED BY THE COMPANY AS IT RAPIDLY PROGRESSES ALONG THE PATH TO BECOMING A SUCCESSFUL COMMERCIAL ENTERPRISE, GENERATING VALUE FOR PATIENTS, HEALTHCARE PROFESSIONALS, INVESTORS AND OTHER KEY STAKEHOLDERS.

→ MAJOR HIGHLIGHTS FOR THE COMPANY FOR FY 2003

- > *Revenue from sales increased by 199% to S\$3.611M*
- > *Cash balance at year end remains strong at S\$17.37M.*
- > *A A\$30M recapitalisation of the company and concomitant public listing on the Australian Stock Exchange*
- > *Registration and successful commercialisation of SciGen's premium proprietary product - Sci-B-Vac™ (a third generation hepatitis B vaccine) in 3 countries plus a further registration in Singapore post balance date. This is a very important step in clearly demonstrating that this vaccine (which the company spent over 10 years in co-development with Biotechnology General Corporation) is able to be successfully commercialised in the Asia Pacific Region.*
- > *Registration applications have proceeded in other countries such as Australia, New Zealand, India, Pakistan, Indonesia et al with major milestones, such as approval of the company's Sci-B-Vac and SciLin by the Indian Government's Genetic Engineering Advisory Committee (GEAC). Full registration of Scitropin and SciLin in the Indian market is expected in the not too-distant future, with registration of Sci-B-Vac now expected in 2005.*
- > *Another point to note is that the company received a favourable response following the preliminary review of its application to the Therapeutic Goods Administration in Australia for Sci-B-Vac registration. Provided the next phase of consideration by the TGA goes well, the company anticipates Sci-B-Vac registration in Australia around the middle of 2004.*

- > *In some large markets, the company has chosen to work with highly reputable partners. Such a strategy has been successful in the Indian market. SciGen has entered into commercialisation agreements with Ranbaxy Laboratories (a New York Stock Exchange listed company and a rapidly growing force in the world generic drugs market and the second largest pharmaceutical company in India) and Shreya Life Sciences- a very large private pharmaceutical company which operates in India and parts of Europe. Partnerships such as these provide for much faster access to the market; introductions to and assistance with regulatory agencies and access to infrastructure such as (in the case of India) over 3,000 sales representatives without infrastructure cost to SciGen. In addition, as previously announced to the market, our agreement with Shreya also involves a contract manufacturing agreement. Shreya is building a new biotechnology manufacturing plant and it is anticipated that it will be able to manufacture product for SciGen from Q1 of Calendar year 2005. Construction of the plant is underway.*
  
- > *Sales of SciGen's recombinant human growth hormone- (SciTropin™) continue to climb steadily across the region. Of particular note are the pleasing sales increases in Australia, Hong Kong, Korea and Singapore. Whilst recombinant human growth hormone has been on the market for quite a period there is much new science coming to light and new approaches to its use being taken by medical practitioners across the World. SciGen continues to monitor scientific progress in the use of human growth hormone and provides this information to medical practitioners as requested.*

# MD'S REPORT:

SciGen's key strategy of identifying and in-licensing late stage developed product and working with the technology developer to achieve health registration to then market and sell the product in a number of countries is clearly successful. Growth in revenue will continue as registration and sales of products continue to roll out across the Asia Pacific region.

SciGen also has other new product options that it can pursue to expand its product range. These options will be considered by the Board and Management in a prudent manner over time.

Our prime focus is to provide a solid foundation based on the existing exciting product portfolio and grow the business in a planned and co-ordinated manner, growing shareholder value in the medium to long term.

The process of building a strong business going forward is dependent upon so many people. I would like to recognise the dedication and diligence shown by our team of staff at SciGen. Their commitment to driving success in the company is to be applauded.

To my colleague directors, I appreciate your support and encouragement through the past year. Also, my thanks and the appreciation of the Board and SciGen team goes to the members of our Scientific Advisory Board, who provide their wonderful expertise to the company to allow it to make the best possible decisions in the interests of patients, healthcare professionals and our other key stakeholders in SciGen.

The year ahead is to be one of further growth, but also consolidation upon the achievements of the year in review. SciGen is now well placed to reap the benefits of its foundations and continue to move forward.



Mark Compton  
Managing Director and Chief Executive Officer

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SCIGEN'S KEY STRATEGY OF IDENTIFYING AND IN-LICENSING LATE STAGE DEVELOPED PRODUCT AND WORKING WITH THE TECHNOLOGY DEVELOPER TO ACHIEVE HEALTH REGISTRATION TO THEN MARKET AND SELL THE PRODUCT IN A NUMBER OF COUNTRIES IS CLEARLY SUCCESSFUL.

GROWTH IN REVENUE WILL CONTINUE AS REGISTRATION AND SALES OF PRODUCTS CONTINUE TO ROLL OUT ACROSS THE ASIA PACIFIC REGION.

# OVERVIEW:

## → SCIGEN LIMITED

SciGen's business was established in 1988 by SciGen's Vice Chairman Mr Saul Mashaal. From its inception, SciGen has been and remains principally involved in the research, development, marketing and sales of a portfolio of biopharmaceutical products. These products include vaccines, which are designed to prevent disease and therapeutic biopharmaceuticals, which are intended to cure, suppress or minimise disease progression.

SciGen has the rights to market proprietary and generic products under licence from other biopharmaceutical companies. For the generic products, this provides a significant advantage in that the products have already undergone much of the rigorous clinical development and trials that are required for the development of new drugs. Such rights also minimise the risks associated with early stage product development as SciGen currently only undertakes R&D activities in conjunction with strategic partners, collaborators or institutions.

SciGen's portfolio currently includes six biopharmaceutical products and SciTojet-2, a drug delivery device. Management focuses on licensing products that have completed pre-clinical drug discovery and are about to complete or have completed the clinical development phase.

Through collaboration with research institutions, biotechnology companies and private contract research organisations, SciGen undertakes joint R&D for new and generic pharmaceutical products.

The collaboration strategy has led to the successful development of a third generation recombinant hepatitis B vaccine (Sci-B-Vac™). Sci-B-Vac™ represents an exciting opportunity for SciGen with clinical trial results proving SciGen's product elicits a faster response and higher immunogenicity from the first dose than other Hepatitis B vaccines currently on the market. The development process has also indicated the potential for Sci-B-Vac™ to have therapeutic qualities in the treatment of persons infected with hepatitis B, which could, if proven, significantly increase the potential market for the product.

## → SCIGEN'S BUSINESS OPERATIONS

SciGen, which is incorporated in Singapore, has a range of licence agreements across the Asia Pacific region and, for SciFeron, the world, and currently maintains sales and other representative offices in six countries. SciGen's initial focus is on the nearby Asian markets which offer global growth rates in the biopharmaceutical product range due to the generally lower cost of generic products. In addition to the sales offices noted above, SciGen has access to manufacturing facilities in Israel, Poland and The Netherlands, through its licensors and/or various contract manufacturing organisations. Additional manufacturing facilities will be available through a brand new plant currently being built in India by SciGen's partner Shreya Life Sciences, scheduled to commission in January 2005.

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SCI-B-VAC™ REPRESENTS AN EXCITING  
OPPORTUNITY FOR SCIGEN WITH  
CLINICAL TRIAL RESULTS PROVING  
SCIGEN'S PRODUCT ELICITS A FASTER  
RESPONSE AND HIGHER  
IMMUNOGENICITY FROM THE FIRST DOSE  
THAN OTHER HEPATITIS B VACCINES  
CURRENTLY ON THE MARKET



## → BUSINESS CYCLE

SciGen's business cycle can be broken into six discrete albeit related activities. Many biopharmaceutical companies incur significant time delays and cost in the product development phase of the business cycle. However, SciGen's strategy of collaborating with other companies and focus on proprietary products at a late stage of development, or those products with expired or soon to expire patents, contributes to ensuring that much of the time, expense and risk of this phase is reduced.

### *Stages involved in SciGen's business cycle:*



→ PRODUCTS IN REGISTRATION PHASE.

SciGen's products are at various stages of the registration process. The following table shows the current registration and development status of each of SciGen's products.

PRODUCT	COUNTRY	EXPECTED APPROVAL (CY)
<i>SCI-B-VAC (a 3rd generation recombinant hepatitis B vaccine)</i>		
	Australia	Q3 2004
	Hong Kong	Approved
	India	Q3 2005
	Korea	Q2 2005
	New Zealand	Q2 2004
	Philippines	Approved
	Singapore	Approved
	Vietnam	Approved
<i>SCILIN (a 2nd generation recombinant human insulin)</i>		
	Hong Kong	Q4 2004
	India	GEAC approval Q1 2004
	Indonesia	Q3 2004
	Korea	Q4 2004



# PRODUCTS:



PRODUCT	COUNTRY	EXPECTED APPROVAL (CY)
<i>SCILIN (a 2nd generation recombinant human insulin) (cont.)</i>		
	Pakistan	Q4 2003
	Philippines	Q4 2004
	Singapore	Q4 2004
	Vietnam	Q4 2003
<i>SCITROPIN (recombinant human growth hormone)</i>		
	Australia	Approved
	Hong Kong	Approved
	India	Q4 2003
	Korea	Approved
	New Zealand	Q2 2004
	Philippines	Approved
	Singapore	Approved

*SciGen has the rights to market its products in several other countries including China, Indonesia, Thailand and Taiwan. Registration submissions for SciGen's products are being pursued in other territories.*

*Timeframes for registration can move as they are subject to processes within regulatory authorities.*

# PORTFOLIO:



## → SCITROPIN

Scigen's recombinant human growth hormone (Scitropin™) is specifically indicated for the long-term treatment of children with short stature due to inadequate secretion of naturally occurring growth hormone.

## PRODUCT : PORTFOLIO

### → 1. SCI-B-VAC- RECOMBINANT HEPATITIS B VACCINE

#### *What is Sci-B Vac™?*

Sci-B-Vac™ is a third generation recombinant hepatitis B vaccine produced in Chinese hamster ovary (CHO) cells (mammalian cell).

#### *Immisation and conditions targeted by Sci-B-Vac™*

Sci-B-Vac™ is a vaccination against hepatitis B.

There is potential for Sci-B-Vac to be used together with anti-viral agents for the treatment of patients with chronic hepatitis B infection. If proven in clinical trials, this could be a major breakthrough.

#### *Important features*

- > Sci-B-Vac™ contains purified recombinant pre-S1, S2 and S protein antigens
- > Elicits a high antibody response (possibly fewer than the standard three doses needed with existing vaccines)
- > Response is fast
- > May be effective in immunocompromised patients
- > Highly effective in "non-responder" group as shown in a small pilot study

### → 2. SCI-TROPIN™- RECOMBINANT HUMAN GROWTH HORMONE

#### *What is SciTropin™?*

SciTropin™, synthesised in E.coli cells, is identical to naturally occurring human growth hormone.

#### *Diseases and conditions targeted by human growth hormone*

Human growth hormone is approved in some countries for the treatment of:

- > short stature due to pituitary growth hormone deficiency
- > Turner's syndrome
- > short stature associated with renal insufficiency
- > Cachexia in AIDS wasting
- > Growth Hormone Deficiency in adults

#### *Global market for SciTropin™*

The estimated world market for human growth hormone was US\$1.6 billion dollars in 2000 with an estimated market of US\$400 million in the Asia-Pacific region.

### → 3. SCI-LIN™- RECOMBINANT HUMAN INSULIN

#### *What is Sci-Lin™?*

Sci-Lin™ is a second-generation recombinant human insulin expressed in E. coli.

#### *Diseases and conditions targeted by Sci-Lin™*

Insulin is used in treating diabetes.

#### *Global market for Sci-Lin™*

The total world market for insulin is estimated to be US\$2.7 billion per annum. The total world market for diabetes therapeutics is forecast to grow by 15% per annum over the medium term.

### → 4. SCI-FERON™- RECOMBINANT ALPHA INTERFERON

#### *What is Sci-Feron™?*

Sci-Feron™ is a highly homogeneous, methionine-free recombinant human interferon.

#### *Diseases and conditions that could be targeted by Sci-Feron™*

Interferon is used in treating virological, oncological and haematological diseases.

#### *Alpha interferon can be used to treat:*

- > Chronic viral hepatitis B
- > Chronic viral hepatitis C
- > Malignant melanoma
- > Hairy cell leukaemia
- > AIDS related Kaposi's sarcoma
- > Condylonata acuminata (venereal warts)
- > Herpes zoster in cancer patients
- > Herpes kerato-conjunctivitis

Interferon's antiviral and immunomodulatory effects are being trialled by other companies for a number of other viral and metastatic diseases, including hepatitis A, HIV, and a number of blood and solid tumour cancers.

#### *Global market for Sci-Feron™*

The worldwide interferon market is estimated to be worth in excess of US\$1.8 billion per annum.

## → SCITOJET 2 - NEEDLE FREE DRUG DELIVERY

SciGen has licensed rights to use, market, sell and distribute the Scitojet 2 - a completely needle free drug delivery device that is currently used with Scitropin in some countries and has the potential to be used with other products.

## PRODUCT : PORTFOLIO

### → 5. SCI-DAPT-VAC™- DIPHTHERIA, ACELLULAR PERTUSSIS AND TETANUS VACCINE

#### *What is Sci-DaPT-Vac™?*

Sci-DaPT™ is a second-generation DaPT vaccine containing the patented acellular pertussis vaccine from Kaketsuken Institute of Japan. Sci-DaPT™ contains this second generation acellular pertussis (whooping cough) vaccine in combination with diphtheria and tetanus toxoids.

#### *Diseases and conditions targeted by Sci-DaPT™*

The vaccine is designed to be effective against:

- > Diphtheria
- > Whooping cough; and
- > Tetanus

### → 6. SCI-DAPT/HB-VAC™- DAPT AND HEPATITIS B QUADRIVALENT VACCINE

#### *What is Sci-DaPT/HB-Vac™?*

Sci-DaPT/HB-Vac™ is a non-generic diphtheria, whooping cough, tetanus and hepatitis B combination (quadrivalent vaccine).

#### *Sci-DaPT/HB Vac™ targets:*

- > Diphtheria;
- > Whooping cough
- > Tetanus; and
- > Hepatitis B.

### → 7. SCITOJET™ - NEEDLE FREE DELIVERY DEVICE

Some medications can be self administered by a patient via a needle free delivery system to which SciGen has the exclusive rights for the Asia Pacific region. The SciTojet2™ releases a fine stream of drug without the use of a needle. The device aids in self-administration and leads to better compliance with therapy, especially for paediatric patients.

### → STRATEGIC PARTNERS

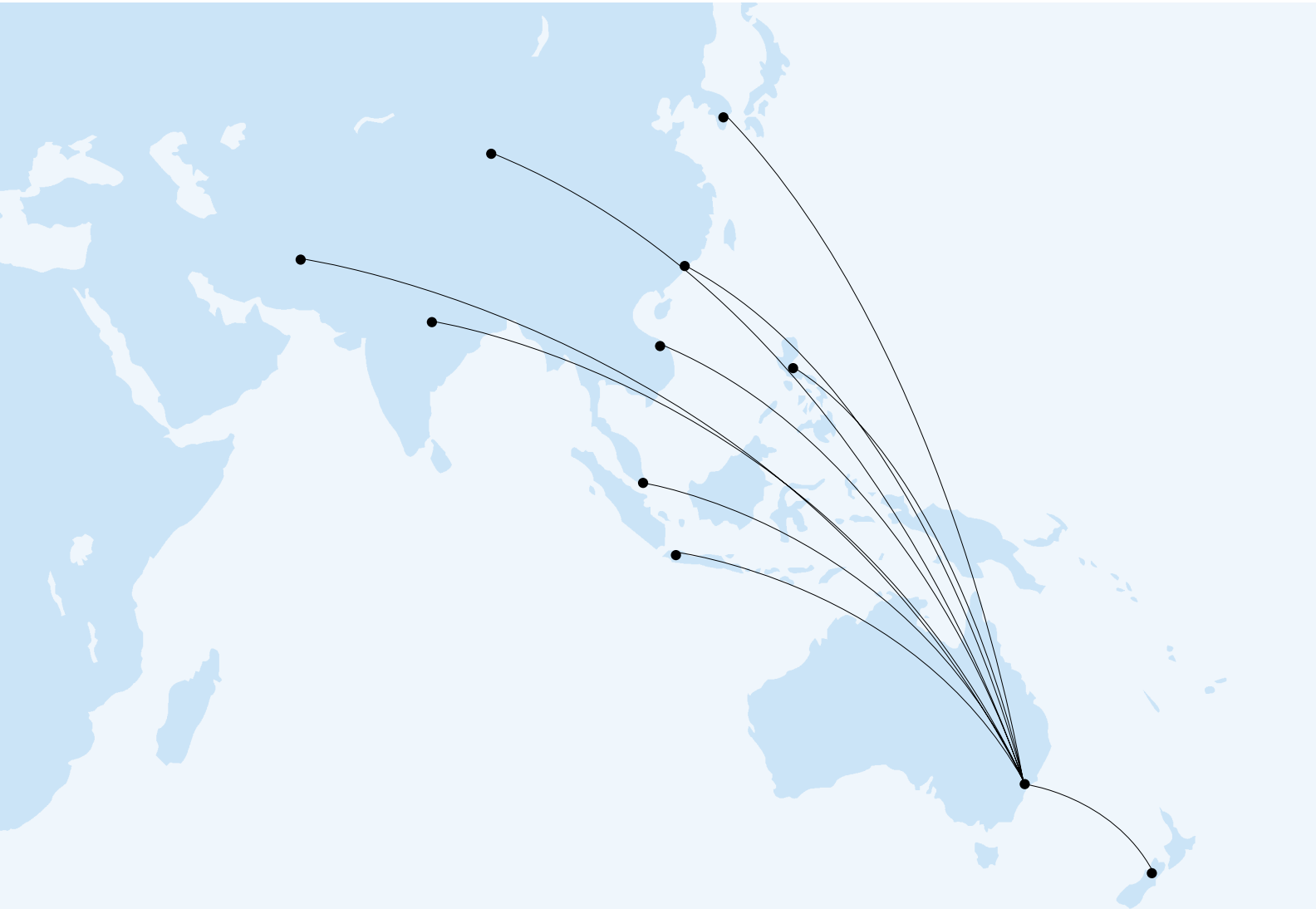
SciGen has established several corporate and strategic partnerships with major global biotechnology firms. These partnerships have resulted in obtaining product rights, access to new technology, manufacturing rights and access to product development pipelines. SciGen's corporate partners provide SciGen with access to a wide range of products without the cost and time required to carry products from the research stage into clinical development. SciGen has also successfully developed collaborations with leading academic institutions and researchers in the Asia-Pacific region, and other areas. SciGen's strategic partners include:

1. BioTechnology General Corporation
2. Peprotech Inc.
3. Shreya Life Sciences
4. Akzo Nobel
5. Bioton
6. Ranbaxy Laboratories Limited
7. Antares Pharma Inc
8. Zuellig Pharma
9. Kalbe Farma
10. PharmEvo
11. Zafa Pharmaceutical Laboratories

# PORTFOLIO:



# EXPANSION:



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## → FOCUS ON ASIA-PACIFIC REGION

SciGen's rights currently extend to approximately 26 territories in the Asia Pacific Region - including large international markets such as India, China and Korea. SciGen also has worldwide rights for SciFeron.





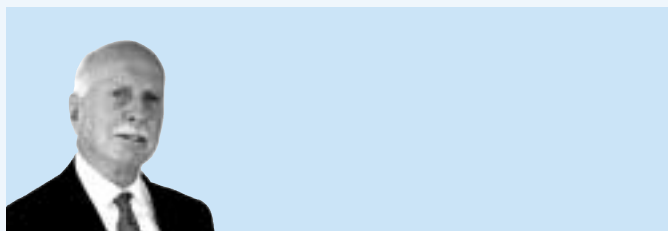
## FUTURE GROWTH

THE SCIGEN DIRECTORS BELIEVE SCIGEN IS WELL POSITIONED TO CAPITALISE UPON THE GROWTH OF THE ASIA-PACIFIC AND GLOBAL BIOPHARMACEUTICAL AND PHARMACEUTICAL MARKETS.

SCIGEN'S STRATEGIES FOR GROWTH OF THE BUSINESS INCLUDE:

- > THE ACHIEVEMENT OF HEALTH REGISTRATION FOR ITS EXISTING PRODUCTS IN EACH OF ITS TARGET MARKETS WITHIN THE NEXT FIVE YEARS;
- > FURTHER DEVELOPMENT OF THE INDICATED THERAPEUTIC APPLICATIONS OFFERED BY SCI-B-VAC™ IN THE TREATMENT (NOT JUST PREVENTION) OF EARLY STAGE CHRONIC HEPATITIS B IN NEONATES, CHILDREN AND ADULTS;
- > INCREASED PENETRATION INTO TARGET MARKETS THROUGH THE ACTIVE UTILISATION OF SCIGEN'S LOCAL SALES AND MARKETING TEAM AND DISTRIBUTION PARTIES.
- > CONTINUED DEVELOPMENT OF NEW PHARMACEUTICAL PRODUCTS TARGETED AT VACCINATION AND/OR TREATMENT OF DISEASES THAT HAVE A HIGH LEVEL OF OCCURRENCE IN HUMANS.

SCIGEN LTD AND CONTROLLED ENTITIES  
BOARD OF DIRECTORS



DIRECTORS

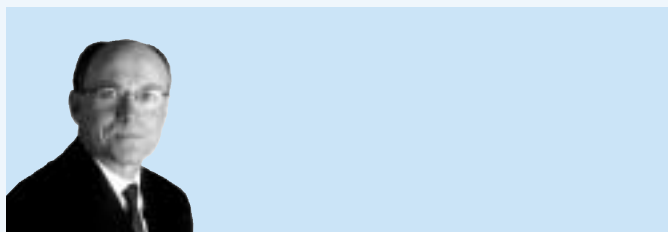
**Paul Freiman**  
*Chairman*  
*Member, Remuneration Committee*



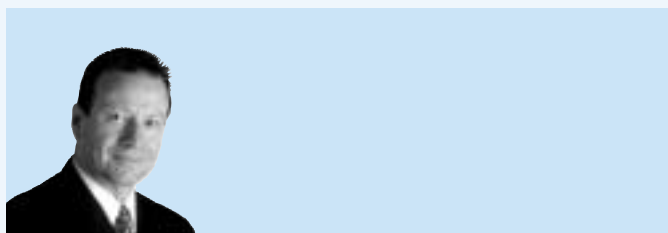
**Mark R. Compton**  
*Managing Director and Chief Executive Officer*



**Saul A. Mashaal**  
*Vice Chairman- Executive Director*

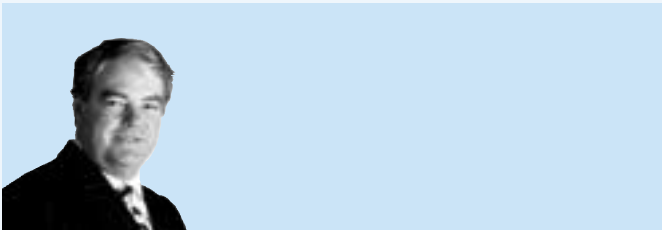


**Colin S. Goldschmidt**  
*Non-Executive Director*

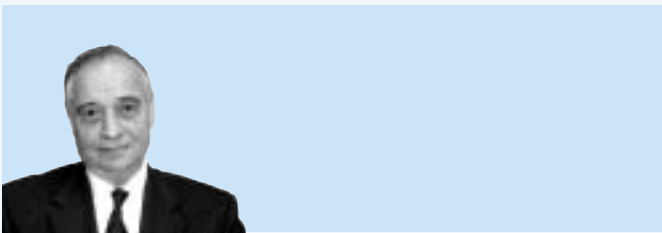


**Christopher D. Wilks**  
*Non-Executive Director*  
*Member, Audit Committee*

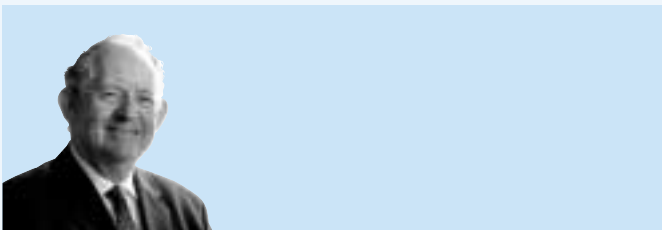
SCIGEN LTD AND CONTROLLED ENTITIES  
BOARD OF DIRECTORS



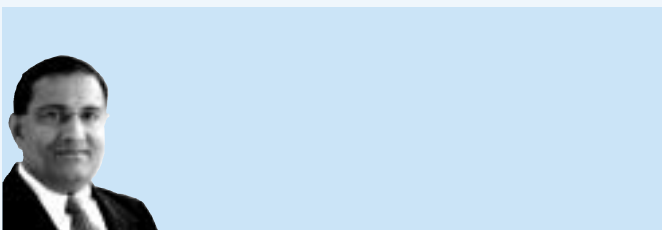
**R. Peter Campbell**  
*Non-Executive Director*  
*Member, Remuneration Committee*



**Kenneth Gross**  
*Non-Executive Director*  
*Member, Audit Committee*

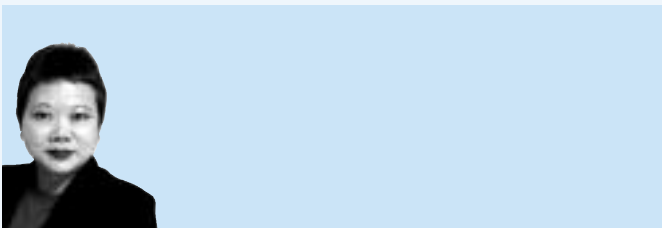


**Barrie R. Martin**  
*Non-Executive Director*  
*Chairman, Audit Committee*  
*Chairman, Remuneration Committee*



**S. Iswaran**  
*Non-Executive Director*

SECRETARIES



**Jenny Low**  
*Chief Financial Officer*

**Lai Leng Wong**

## SCIGEN LTD AND CONTROLLED ENTITIES

### DIRECTORS' REPORT

Your directors present their report on the Company and for the Group consisting of SciGen Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2003.

#### DIRECTORS

The directors of the company at the date of this report are:

Mr. Paul Freiman (Chairman)  
 Mr. Mark R. Compton (Managing Director and Chief Executive Officer)  
 (Appointed as CEO on 18 September, 2001 and as a Director on 31 October, 2002)  
 Mr. Saul A. Mashaal  
 Dr. Colin S. Goldschmidt  
 Mr. Christopher D. Wilks  
 Mr. R. Peter Campbell  
 Mr. Kenneth Gross  
 Mr. Barrie R. Martin  
 Mr. S. Iswaran (Appointed as a Director on 1 January, 2003)

#### PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the Company and the Group are collaborative research and development of biotechnology derived pharmaceutical products and the health registration, sales, marketing and distribution of those products. The principal activities of the subsidiaries are sales of biopharmaceutical products.

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

#### DIVIDENDS

Due to the capital requirements and early stage growth of the Company, the Directors have not declared a dividend for the year ended 30 June 2003. No dividends have been paid, declared or proposed since the end of the Company's preceding financial year.

#### RESULTS AND REVIEW OF OPERATIONS AND ACTIVITIES

A summary of consolidated revenues and results by significant geographical segments is set out below:

	Segment revenues		Segment results	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Singapore	275	366	(76)	(6)
Australia	1,295	614	597	55
Vietnam	406	-	(104)	-
Other	1,635	229	(859)	(608)
Total of all segments	3,611	1,209	(442)	(559)
Unallocated			(4,429)	(3,685)
Profit/(loss) from ordinary activities before income tax expenses			(4,871)	(4,244)
Income tax expense relating to ordinary activities			(10)	-
Net profit			(4,881)	(4,244)

Comments on the operations and the results of those operations are set out below:

During the year in review the Company underwent a major recapitalisation and subsequent listing on the Australian Stock Exchange in November 2002. The A\$30M equity injection by Sonic Healthcare Limited allowed SciGen to retire debt and expand the development registration, sales and marketing activities of the Group.

Since 1 July 2002, the Group has received registration or achieved important registration milestones for the following products in the territories shown:

Product	Territory	Date
Sci-B-Vac	Philippines	12.09.02
	Hong Kong	29.01.03
	Singapore	21.07.03 **
	India - GEAC Approval	13.06.03
SciLin	India - GEAC Approval	06.03.03
	Vietnam	Awaiting visa
Oxandrin	Singapore	13.03.03
	Vietnam	03.10.02
** <i>post balance date</i>		

Sales have commenced for each of the registered products (except for Oxandrin) in the territories shown. In addition, sales of Scitropin (recombinant human growth hormone) have continued in Australia, Singapore, Hong Kong, Philippines and Korea.

The company's revenue increased by 199% over the previous year to S\$3.611M (S\$1.209M in FY2002) with Australia as a territory showing the greatest revenue growth. Expenditure was well controlled and largely directed into expanding sales and marketing activities in addition to funding product development, regulatory affairs activities, registration applications and licence fees.

Corporate overheads included one off costs of S\$886,000 attributable to the expenses associated with the spin-out and listing of SciGen in November 2002.

The Group's cash reserves remain adequate to fund ongoing operations and licence fee payments due to Biotechnology General Corporation.

#### EARNINGS PER SHARE

	2003 S Cents	2002 S Cents
Basic earnings per share	(1.350)	(1.580)
Diluted earnings per share	(1.350)	(1.580)

## SCIGEN LTD AND CONTROLLED ENTITIES

### DIRECTORS' REPORT

#### MATERIAL TRANSFER TO OR FROM RESERVES AND PROVISIONS

There were no transfers to or from reserves during the financial year.

Material movements in provisions are set out in the notes to the financial statements.

#### ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There were no acquisitions or disposals of interests in subsidiaries during the financial year.

#### ISSUE OF SHARES AND DEBENTURES

On 31 October 2002, SciGen raised S\$29,730,000 by an allotment of 150,000,000 ordinary shares to Sonic Healthcare Ltd. The issued price was S\$0.1982 per share.

During the financial year, a subsidiary, SciGen Korea Limited, increased its issued ordinary share capital from KRW503,955,000 to KRW773,455,000 by the issue of 53,900 ordinary shares of KRW5,000 each at par for cash for additional working capital. The newly issued shares rank pari passu in all respects with the previously issued shares.

There were no other issues of shares by any corporation in the Group during the financial year.

There were no issue of debentures by any corporation in the Group during the financial year.

#### ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Other than the share options noted below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares in, or debentures of, the Company and related corporations, except as follows:

	Holdings registered in the name of the director		Holdings in which the director is deemed to have an interest	
	At 30.6.2003	At 1.7.2002	At 30.6.2003	At 1.7.2002
<b>Holding Corporation</b>				
<b>Sonic Healthcare Limited</b>				
<b>(Ordinary shares of A\$0.20 each)</b>				
Colin S. Goldschmidt **	950,000	600,000	-	-
Christopher D. Wilks **	623,000	300,000	-	-
<b>SciGen Ltd</b>				
<b>(Ordinary shares of S\$0.001 each)</b>				
Paul Freiman *	-	-	-	-
Mark R Compton	100,400	-	-	-
Saul A. Mashaal *	-	-	108,931,015	108,931,015
Colin S. Goldschmidt **	950,000	-	-	-
Christopher D. Wilks **	623,000	-	-	-
R. Peter Campbell	-	-	-	-
Kenneth Gross *	-	-	108,931,015	108,931,015
Barrie R. Martin	-	-	-	-
S. Iswaran	-	-	-	-
<b>(Options to purchase ordinary shares of S\$0.001 each at A\$0.18 - A\$0.20 per share)</b>				
Paul Freiman	1,000,000	-	-	-
Mark R Compton	8,379,311	-	-	-
Saul A. Mashaal	8,379,311	-	-	-
Colin S. Goldschmidt	4,000,000	-	-	-
Christopher D. Wilks	2,500,000	-	-	-
R. Peter Campbell	1,000,000	-	-	-
Kenneth Gross	1,000,000	-	-	-
Barrie R. Martin	1,000,000	-	-	-
S. Iswaran	-	-	-	-

\* The above directors are deemed to have an interest in the share capital of the Company by virtue of their deemed interest of not less than 20% in the issued share capital of Scitech Genetics Pte Ltd, a shareholder of the Company. The number of shares held as of 1 July 2002 has been restated. The number of shares reported in the financial report for the prior year was 14,306,437. During the year, these shares were converted and subdivided by 7.61401250751.

\*\* The above directors are deemed to have an interest in the share capital of the Company by virtue of their deemed interest in the issued share capital of Sonic Healthcare Limited, a shareholder of the Company.

## SCIGEN LTD AND CONTROLLED ENTITIES

### DIRECTORS' REPORT

#### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were completed, the directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and providing for doubtful debts. The directors have satisfied themselves that there were no bad debts and adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances, which would render any amounts to be written off for bad debts or the amounts provided for doubtful debts in the Group, to be inadequate to any substantial extent.

#### CURRENT ASSETS

Before the financial statements of the Company were completed, the directors took reasonable steps to ascertain that current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provisions have been made for the diminution in values of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements misleading.

#### CHARGES ON ASSETS AND CONTINGENT LIABILITIES

At the date of this report, no charges have arisen since the end of the financial year on the assets of the Company or any corporation in the Group, which secure the liability of any other person, nor has any contingent liability arisen since the end of the financial year in the Company or any corporation in the Group.

#### ABILITY TO MEET OBLIGATIONS

No contingent or other liability of the Company or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and the Group to meet their obligations as and when they fall due.

#### OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements, which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

#### UNUSUAL ITEMS

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, except for the once off costs for the spin-out and listing of the Company.

#### DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed below and in the consolidated financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except that certain directors have employment relationships with a related corporation and have received remuneration in those capacities.



## SHARE OPTIONS

Share options granted, exercised and cancelled during the financial year, and options outstanding at the end of the financial year were as follows:-

Date of Grant	Class	Exercise Period	Exercise Price (A\$)	Number Granted	Option Exercised/ Shares Issued	Option Cancelled	Balance as at 30 June 2003
15 Nov 2002	Class 1	15 Nov 2002 to 15 Nov 2006	A\$0.20	7,500,000	-	-	7,500,000
27 Nov 2002	Class 2	27 Nov 2002 to 15 Dec 2003	A\$0.11	779,000	-	-	779,000
27 Nov 2002	Class 3	27 Nov 2002 to 20 Feb 2005	A\$0.18	2,123,000	-	-	2,123,000
27 Nov 2002	Class 4	27 Nov 2002 to 20 Apr 2005	A\$0.18	4,500,000	-	-	4,500,000
27 Nov 2002	Class 5	27 Nov 2002 to 20 Apr 2006	A\$0.25	3,434,400	-	-	3,434,400
27 Nov 2002	Class 6	27 Nov 2002 to 16 May 2007	A\$0.15	1,577,500	-	-	1,577,500
15 Nov 2002	Class 7	15 Nov 2002 to 15 Nov 2006	A\$0.20	8,379,311	-	-	8,379,311
15 Nov 2002	Class 8	15 Nov 2002 to 15 Nov 2012	A\$0.20	8,379,311	-	-	8,379,311

Options issued under Class 1 were issued to SciGen non-executive directors at the time of listing.

Options issued under Classes 2, 3, 4, 5, 6 were issued to Sonic Healthcare Limited option holders under the terms of the Spin-out approved by the Federal Court of Australia and Sonic Healthcare Limited shareholders in November 2002. Included in Class 4 were options to two of SciGen's non-executive directors. Class 7 options were issued to the Managing Director (Mr. Mark Compton). Class 8 options were issued to the Vice Chairman (Mr. Saul Mashaal).

Post balance date, Class 9 Options (5,938,500) have been allocated for issue to executives and employees under the SciGen Limited Employee Option Plan Prospectus which was lodged with ASIC on 1 September 2003. A copy of this Plan is available on the company's website.

## SCIGEN LTD AND CONTROLLED ENTITIES

### DIRECTORS' REPORT

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company and the Group during the financial year were as follows:

##### (a) Spin-Out

After the allotment of 150,000,000 ordinary shares to Sonic Healthcare Ltd, Sonic's holding in SciGen increased to 74%. Sonic spun out the majority of its shareholding in SciGen to its shareholders and retained a balance of 11.48%, which is subject to an escrow arrangement for a period of 2 years from listing.

After the spin-out, Scitech Genetics became SciGen's major shareholder, holding 26% of the shares on issue. These shares are also subject to escrow for 2 years following the listing date of 15 November 2002.

##### (b) Public-Listing

SciGen was listed on the Australian Stock Exchange on 15 November 2002.

#### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2003, the directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Company and the Group, other than:

1. Registration of Sci-B-Vac in Singapore
2. Commercialisation agreements for the products executed for:
  - Pakistan
  - India
  - Indonesia

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would substantially affect the results of the operations of the Company and of the Group for the financial year in which this report is made except for the following:-

- > The company is in the process of negotiating product liability insurance cover which expired on 30 June 2003. The company's insurance broker has expressed confidence that cover will be placed in the near future.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the Group at the date of this report included:

- (a) The main focus for the company during the financial year 2003/2004 is to register its products and commence the commercialisation of the products in the countries which SciGen has rights to register, market and sell the products. The Company will continue to obtain registration for its products and subsequently marketing the products in the territories in which it has rights to do so.
- (b) SciGen is intending to expand into regions other than those where it already has a presence and has executed agreements with several parties in Indonesia, India and Pakistan.
- (c) Besides increasing its sales, SciGen is also reviewing the reduction of its operating costs by moving toward the manufacturing of its own products using the contract manufacturing arrangements already announced to the ASX.
- (d) SciGen is continually looking for opportunities for new products and technology to add to its product portfolio.

Further information on likely developments in the operations of the Company and the Group and the expected results of operations have not been included in this report, because the directors are of the opinion that such information is commercially sensitive.

INFORMATION ON DIRECTORS

Particulars of directors' interests in  
shares and options at 30 June 2003: SciGen Ltd

Director	Experience	In the name of the Director Ordinary Shares	Options	Deemed Interest Ordinary Shares
<b>Mr. Paul Freiman</b> (Chairman) (Age 68)	<p>Mr. Freiman is the President and Chief Executive Officer of Neurobiological Technologies, Inc. (NIT). He is the former Chairman and Chief Executive officer of Syntex Corporation, where he had a long and successful career and was instrumental in the sale of Syntex to Roche Holdings for US\$5.3 billion.</p> <p>Mr. Freiman currently serves as Chairman of the board of Digital Gene Technologies and is also a director of Burrell &amp; Company, Penwest Pharmaceutical Co., Calypte Biomedical Corporation, Omware, Inc., PHYTOS Inc. and Otsuka Pharmaceutical Manufacturers Association of America.</p>	-	1,000,000	-
<b>Mr. Mark R. Compton</b> (Managing Director and Chief Executive Officer) (Age 42)	<p>Mr. Compton was formerly the Managing Director of Alpha Healthcare Limited, a publicly listed Australian healthcare group. Mr. Compton is a graduate in pharmacology and holds a Masters in Business Administration from the Australian Graduate School of Management (UNSW).</p> <p>Mr. Compton is a Fellow of the Australian Institute of Management, Associate Fellow of the Australian College of Health Service Executives and a Member of the Australian Institute of Company Directors. He is also the Chairman of St. John Ambulance Australia (NSW) and a Governor of the Woolcock Institute of Medical Research Limited.</p>	100,400	8,379,311	-

SCIGEN LTD AND CONTROLLED ENTITIES  
DIRECTORS' REPORT

INFORMATION ON DIRECTORS (CONT)

Particulars of directors' interests in shares and options at 30 June 2003: Scigen Ltd

Director	Experience	In the name of the Director Ordinary Shares	Options	Deemed Interest Ordinary Shares
Mr. Saul A. Mashaal (Age 66)	<p>Mr. Mashaal is the founder and Vice Chairman of SciGen. Mr. Mashaal has more than 30 years experience in the pharmaceutical industry.</p> <p>In 1988, Mr. Mashaal founded Scitech Genetics to develop, manufacture and market bio-technology derived products.</p> <p>The company changed its name to SciGen Private Limited in 1999.</p>	-	8,379,311	108,931,015
Dr. Colin S. Goldschmidt (Age 48)	<p>Dr. Goldschmidt has been the Managing Director of Sonic Healthcare Limited and its subsidiaries since 1992. Prior to which he was the Medical Director of Douglass Hanly Moir Pathology.</p> <p>Dr. Goldschmidt completed his Australian Pathology Fellowship training in Sydney in 1986. He was also a non-executive director of Silex Limited.</p>	950,000	4,000,000	-
Mr. Christopher D. Wilks (Age 43)	<p>Mr. Wilks is a consultant with a background in chartered accounting and investment banking. He has been a director of Sonic Healthcare Limited since 1989 and has played a major role in Sonic's development since he became an Executive Director in 1992; He was also responsible for the spin out of Silex Systems Limited in 1996 and its subsequent listing on the ASX in 1998.</p> <p>Mr. Wilks is a part-time executive with Silex Limited responsible for corporate development.</p>	623,000	2,500,000	-

INFORMATION ON DIRECTORS (CONT)

Particulars of directors' interests in  
shares and options at 30 June 2003: Scigen Ltd

Director	Experience	In the name of the Director Ordinary Shares	Options	Deemed Interest Ordinary Shares
Mr. R. Peter Campbell (Age 57)	<p>Mr. Campbell is a Chartered Accountant with his own practice based in Sydney.</p> <p>Mr. Campbell is an independent non-executive director of Bligh Corporate Pty Ltd Damott Pty Ltd, Damott Management Services Pty Ltd, Global Access Publications Pty Ltd, Outbox Pty Ltd, Mithena Holdings Pty Ltd, Prime City Properties Pty Ltd, RP Campbell Associates Pty Ltd, RPCA (No.1) Pty Ltd, Search Corporation Pty Ltd, Meridian Property Management Pty Ltd, Sonic Healthcare Limited, St. Laurence Australia Limited and Silex Systems Limited.</p> <p>Mr. Campbell is a Fellow of both the Institute of Chartered Accountants in Australia and the Taxation Institute of Australia and is a registered company auditor.</p>	-	1,000,000	-
Mr. Kenneth Gross (Age 73)	<p>Mr. Gross co-founded Goldmark Plastic Compounds in 1957. The company has since become a major distributor of plastic raw materials within United States. In addition, Mr. Gross holds a number of directorships in various companies involved in chemical, metals, engineering resins and lubricating oils. Mr. Gross is presently the Chairman and Chief Executive Officer of Goldmark Plastics Inc.</p>	-	1,000,000	108,931,015
Mr. Barrie R. Martin (Age 66)	<p>Mr. Martin was non-executive Chairman of Prudential Corporation Australia (Prudential) and New Zealand from 1995 to 1997 and was Managing Director for Prudential in Australia and New Zealand from 1984 to 1994.</p> <p>Mr. Martin is Chairman of Brazin Limited, the Barkworth Group, Inglewood Olive Processors Limited and is a Director of Macquarie Bank Limited, and BHP SVS Pty Limited.</p>	-	1,000,000	-

SCIGEN LTD AND CONTROLLED ENTITIES  
DIRECTORS' REPORT

INFORMATION ON DIRECTORS (CONT)

Particulars of directors' interests in shares and options at 30 June 2003: Scigen Ltd

Director	Experience	Particulars of directors' interests in shares and options at 30 June 2003: Scigen Ltd		Deemed Interest Ordinary Shares
		In the name of the Director Ordinary Shares	Options	
Mr. S. Iswaran (Age 40)	<p>Mr. S. Iswaran is the Managing Director of Temasek Holdings (Private) Limited, a Singaporean investment holding company with assets exceeding S\$50 million. He is responsible for private equity investments.</p> <p>Mr. Iswaran has broad experience in the public, private and NGO sectors of Singapore and other ASEAN countries. He has held senior civil service appointments in several Singaporean government Ministries including the Ministry of Trade and Industry where he had responsibility for policies and negotiations pertaining to multilateral trade in the context of ASEAN, APEC and the World Trade Organisation.</p> <p>Mr. Iswaran is an elected Member of Parliament in the Singapore Government.</p>	-	-	-

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit		Remuneration	
			A	B	A	B
Mr. Paul Freiman (Chairman)	7	8	-	-	2	2
Mr. Mark R. Compton (Managing Director and Chief Executive Officer) *	5	5	-	-	-	-
Mr. Saul A. Mashaal *	8	8	-	-	-	-
Dr. Colin S. Goldschmidt **	6	8	-	-	-	-
Mr. Christopher D. Wilks	8	8	2	2	-	-
Mr. R. Peter Campbell	6	8	-	-	2	2
Mr. Kenneth Gross	8	8	2	2	-	-
Mr. Barrie R. Martin	8	8	2	2	2	2
Mr. S. Iswaran **	2	4	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\* = Executive director

\*\* = Not a member of a committee

#### DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The Remuneration Committee, consisting of 3 non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the Managing Director, Vice Chairman (who is an executive director) and Chief Financial Officer and remuneration for non-executive directors. In reviewing remuneration levels, the Board takes into account financial performance in addition to other goals related to business development and operational issues.

Executive remuneration and other terms of employment are reviewed annually by the Managing Director having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company and the Group's operations.

Remuneration of non-executive directors is determined by the board within the maximum amount approved by the shareholders from time to time. Options are issued but bonuses are not payable to non-executive directors.

Details of the nature and amount of each element of the emoluments of each director of SciGen Ltd and each of the 5 officers of the company and the Company and the Group receiving the highest emoluments are set out in the following tables.

#### Non-executive directors of SciGen Ltd

Name	Directors' base fee S\$ *	Others S\$	Options S\$	Total S\$
Mr. Paul Freiman	26,128	**26,631	51,536	104,295
Dr. Colin S. Goldschmidt	16,339	-	106,855	123,194
Mr. Christopher D. Wilks	16,339	-	79,195	95,534
Mr. R. Peter Campbell	16,338	-	51,536	67,874
Mr. Kenneth Gross	16,355	-	51,536	67,891
Mr. Barrie R. Martin	41,183	-	51,536	92,719
Mr. S. Iswaran	15,000	-	-	15,000

\* Director's fees were commenced on 1 January 2003 except in the case of Mr Martin and Mr Freiman.

\*\* Consultancy fee paid to Mr. Freiman.

#### Executive directors of SciGen Ltd

Name	Base salary S\$	Motor vehicle S\$	Bonus S\$	Superannuation S\$	Options S\$	Other benefits S\$	Total S\$
Mr. Mark R. Compton ***	250,547	21,764	-	7,827	431,837	54,159	766,134
Mr. Saul A. Mashaal ****	436,433	48,772	11,045	-	489,283	130,596	1,116,129

\*\*\* Mr. Compton was appointed a director on 31 October 2002. Before this appointment, he was the company's Chief Executive Officer. Amounts shown above include Mr. Compton's emoluments during the period that he was Managing Director.

\*\*\*\* Included in base salary is a consultancy fee of S\$228,756 payable to a corporation in which Mr. Mashaal has an interest. The amount was paid for services of Mr. Mashaal.

**SCIGEN LTD AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**

**Executive directors of SciGen Ltd (cont)**

The amount disclosed on the previous page (and below) for remuneration relating to options assess fair values of options at the date they were granted to executive directors and other executives during the year ended 30 June 2003. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the current price and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for term of the option.

Further information on the options, including the numbers of options granted to directors and other executives, is set out in the following sections of this report.

**Other Executives of SciGen Ltd**

Name	Base salary S\$	Motor vehicle S\$	Bonus S\$	Superannuation S\$	Options S\$	Other benefits S\$	Total S\$
Mr. Mark Compton****	107,997	11,317	-	3,507	-	10,759	133,580
Ms. Jenny Low	138,600	-	11,550	13,368	77,304	6,000	246,822
Ms. Christina Wong	108,096	-	29,551	6,882	-	10,810	155,339
Ms. Pam Ong	89,129	-	12,450	13,821	-	9,000	124,400
Ms. Liza Domingo	62,331	5,445	14,082	395	-	-	82,253

\*\*\*\*Mr. Compton was appointed a director on 31 October 2002. Before this appointment, he was the company's Chief Executive Officer. Amounts shown above include Mr. Compton's emoluments during the period that he was Chief Executive Officer.

**Other executives of the Company and the Group**

Name	Base salary S\$	Motor vehicle S\$	Bonus S\$	Superannuation S\$	Options S\$	Other benefits S\$	Total S\$
Dr. Eric Meyer	134,745	27,245	-	10,523	-	-	172,513
Mr. Peter Clark	109,707	17,006	16,798	8,523	-	-	152,034
Ms. Sian Stubbs	70,833	-	4,237	6,756	-	-	81,826
Mr. Shin Dong Hoon	60,514	-	5,043	5,013	-	2,807	73,377
Mr. Joo-Heon Lee (Director of subsidiary- SciGen Korea Limited)	62,934	-	-	5,664	-	3,280	71,878

"Other executives" are officers who are involved in, concerned in, or who take part in, the management of the affairs of the Company and / or related bodies corporate.

Information on loans to directors, including amounts, interest rates and repayment terms are set out in note 26 to the financial statements.

The Australian Stock Exchange Corporate Governance Council has made recommendations in relation to directors' remuneration disclosures, including disclosures about the expected outcomes of remuneration structures and the basis for the exercise of the directors' discretion in relation to the payment of bonuses. The Company's Remuneration Committee will consider these recommendations and will make appropriate disclosures in future directors' reports.



SHARE OPTIONS GRANTED TO DIRECTORS AND EXECUTIVES

Options over unissued ordinary shares of the Company granted during or since the end of the financial year to any of the directors or the 5 most highly remunerated officers of the Company and the Group as part of their remuneration were as follows:

Directors	Options granted
Mr. Mark R. Compton	8,379,311
Mr. Saul A. Mashaal	8,379,311
Mr. Paul Freiman	1,000,000
Mr. Barrie R. Martin	1,000,000
Dr. Colin S. Goldschmidt	4,000,000
Mr. Christopher D. Wilks	2,500,000
Mr. R. Peter Campbell	1,000,000
Mr. Kenneth Gross	1,000,000
<b>Other executives of SciGen Ltd</b>	
Ms. Jenny Low	1,500,000
<b>Other executives of the Group</b>	
N.A.	

The Exercise price of the options is A\$0.20 per option. The Term of the issued options is 4 years with the exception of those issued to Mr Mashaal, which have a Term of 10 years.

In addition to Class 1 Options issued to non-executive directors, Dr. Goldschmidt and Mr. Wilks received Class 4 Options as their entitlement under the terms of the spin-out of SciGen Ltd. The exercise price of the Class 4 Options is A\$0.18 per option.

INSURANCE OF OFFICERS

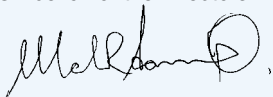
During the financial year, SciGen Ltd paid a premium of S\$67,447 to insure the directors and officers of the Company and its Australian based controlled entity, and the managers of each of the divisions of the Company and the Group.

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

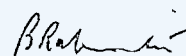
AUDITOR

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the Directors



**Mark R Compton**  
*Managing Director and Chief Executive Officer*



**Barrie Martin**  
*Non-Executive Director;*  
*Chairman, Audit Committee*  
*Chairman, Remuneration Committee*

Singapore  
30 September 2003

**SCIGEN LTD AND CONTROLLED ENTITIES**

**STATEMENT BY DIRECTORS**

**FOR THE YEAR ENDED 30 JUNE 2003**

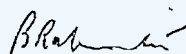
In the opinion of the directors,

- (a) the financial statements set out on pages 41 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group at 30 June 2003, the results of the business and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year then ended, and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



Mark R Compton  
*Managing Director & Chief Executive Officer*



Barrie Martin  
*Non-executive Director;  
Chairman, Audit Committee  
Chairman, Remuneration Committee*

Date : 30 September 2003

SciGen Ltd (the “Company” or “SciGen”) and the board are committed to achieving and demonstrating the highest standards of corporate governance. A review of the Company’s corporate governance framework has been completed in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council Guidelines (the “Guidelines”) in March 2003. The company’s corporate governance framework was largely consistent with the Council’s recommendations when taking into account the size and scope of the company. However, a number of changes have been or will be made as a result of this review or other recent governance developments. The company and its controlled entities together are referred to as the Group in this statement.

A summary of the compliance status of the Group under the broad Principle headings as defined in the Guidelines is shown below.

#### PRINCIPLE 1

##### **Lay solid foundations for management and oversight**

The relationship between the board and senior management is important to the Group’s long-term success. Day to day management of the Group’s affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives.

The directors are responsible to the shareholders for the performance of the company in both the short and longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

##### *Role of the Board*

- (a) The Directors are responsible for the direction and supervision of SciGen’s business and for its overall corporate governance. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability.
- (b) The primary functions of the Board include:
  - (1) formulating and approving objectives, strategies and long-term plans for SciGen’s continued development and operation, in conjunction with management;
  - (2) monitoring the implementation of these objectives, strategies and long-term plans to ensure SciGen, to the best of its ability, delivers shareholder value;
  - (3) approval of management recommendations on capital expenditure;
  - (4) monitoring SciGen’s overall performance and financial results, including adopting annual budgets and approving SciGen’s financial statements;
  - (5) ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
  - (6) selecting and reviewing the performance of the Managing Director and reviewing the performance of senior operating management;
  - (7) ensuring significant business risks are identified and appropriately managed;
  - (8) ensuring that SciGen meets the statutory, regulatory and reporting requirements of the ASX and requirements under Australian and Singaporean Corporations law;
  - (9) ensuring that SciGen, its Directors, officers, employees and associates are aware of and comply with all relevant laws and regulations;
  - (10) reporting to Shareholders on performance; and

PRINCIPLE 1 (CONT)

(11) deciding the payment of dividends to Shareholders.

(c) The Board consists of the Chairman, Managing Director, Vice Chairman (who is an executive director) and six non-executive Directors. The term of Directors' appointments is governed by SciGen's Constitution. At least one third of Directors, other than the Managing Director, must retire and seek re-election at each Annual General Meeting of SciGen. Mr Ken Gross, being over 70 years of age, is currently required to seek re-election annually, under the provision of the Singapore Companies Act.

(d) The Board has established an Audit Committee and a Remuneration Committee. From time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues.

PRINCIPLE 2

**Structure the Board to add value**

*Board members*

Details of the members of the board, their experience, expertise, qualifications are set out in the directors' report under the heading "Information on directors". There are seven non-executive directors (inclusive of the Chairman), two of whom are deemed independent under the principles set out in the Guidelines, and two executive directors at the date of signing the directors' report.

*Term of office*

The company's Constitution specifies that at least one third of directors (with the exception of the Managing Director) must retire from office at each annual general meeting (AGM). Where eligible, a director may stand for re-election subject to the following limitation imposed by Singapore Companies Act:

> on attaining the age of 70 years a director will retire at each AGM and may seek re-election.

*Roles of the Chairman and Chief Executive Officer (CEO)*

The Chairman is responsible for leading the board, ensuring that board activities are organised and efficiently conducted and for ensuring directors are properly briefed for meetings. The CEO is responsible for implementing Group strategies and policies.

*Commitment*

The board held 8 board meetings and an additional corporate strategy workshop during the year.

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2003, and the number of meetings attended by each director is disclosed on page 28.

It is the company's practice to allow its executive directors to accept appointments outside the company with prior written approval of the Chairman. One appointment of this nature was accepted during the year ended 30 June 2003 by the Managing Director. Mr Compton was appointed as a Governor to the Woolcock Institute of Medical Research. This appointment attracts no remuneration.

*Conflict of interests*

Entities connected with Mr Gross, Mr Mashaal and Mr Freiman had business dealings with the Company and the Group during the year, as described in note 26 to the financial statements. In accordance with the board charter the directors concerned declared their interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Group pertaining to those dealings.

*Independent professional advice*

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

#### *Scientific Advisory Board*

The Group has a panel of expert scientists known collectively as the Scientific Advisory Board. These scientists are able to be accessed by the Group to seek expert scientific advice related to the Group's activities. The members of the panel are:-

- > Professor Marian Gorecki
- > Professor Chan Soh Ha
- > Professor Daniel Shouval
- > Professor David J Handelsman

#### *Performance assessment*

The board will undertake an annual self-assessment of its collective performance and will seek specific feedback from the senior management team on particular aspects of its performance. The process may be facilitated by an independent third party. The results and any action plans are documented together with specific performance goals which are agreed for the coming year.

In addition, each board committee will undertake an annual self assessment on the performance of the committee and achievement of committee objectives.

The Chairman will annually assess the performance of individual directors and meet privately with each director to discuss this assessment. The Chairman's performance is reviewed by the board.

#### PRINCIPLE 3

##### **Promote ethical and responsible decision-making**

#### *Code of Conduct*

The company has developed a draft Code of Conduct (the Code) which has been reviewed by the board and will apply to all directors and employees. This will be progressively rolled-out through the Group. The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of company securities by directors and employees is only permitted during the thirty day period following the release of the half-yearly and annual financial results to the market. Any transactions undertaken must be notified to the company secretary in advance.

The directors are satisfied that the Group has complied with the policies on ethical standards, including trading in securities.

The Company has established its own draft Code of Conduct embracing high standards of personal and corporate conduct. This Code of Conduct requires that every Director, officer, employee, agent, sub-contractor and consultant of SciGen must:

- (a) act honestly and fairly in all dealings;
- (b) not engage in any related party dealings that have not been first approved by the Board, or where required, the shareholders of SciGen;
- (c) understand the regulatory compliance requirements applicable to their duties and treat those requirements as essential to the performance of those duties;
- (d) co-operate with regulators and relevant authorities;
- (e) act professionally and with courtesy and integrity; and
- (f) maintain the confidentiality of SciGen's affairs other than as required by SciGen, any applicable law or the listing rules of a securities exchange.

## SCIGEN LTD AND CONTROLLED ENTITIES

### CORPORATE GOVERNANCE STATEMENT

#### PRINCIPLE 4

##### **Safeguard integrity in financial reporting**

###### *Board committees*

The board has established two committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the remuneration and audit committees. Each is comprised entirely of non-executive directors. The committee structure and membership is reviewed on an annual basis.

Draft committee charters have been written setting out each committees' role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. These charters will be available on the company website. Matters determined by committees are submitted to the full board as recommendations for board decision, as required.

Minutes of committee meetings are tabled at subsequent board meetings. Additional requirements for specific reporting by the committees to the board are addressed in the charter of the individual committees.

###### *Audit committee*

The non-executive directors on the committee are:

Mr. Barrie R. Martin (Chairman)  
Mr. Christopher D. Wilks  
Mr. Kenneth Gross

Details of these directors' qualifications, expertise, experience and attendance at audit committee meetings are set out in the directors' report on pages 25 - 28.

The Managing Director, Chief Financial Officer and Auditor attend Audit Committee Meetings as required throughout the year. Time is allocated for the Audit Committee to meet with the Auditor without management being present. The responsibilities of the Audit Committee are to:

- (a) assist the Board to discharge fiduciary responsibilities with regard to SciGen's accounting, control and reporting practices by monitoring the internal control environment and management over corporate assets;
- (b) review internal controls and any changes thereto approved and submitted by SciGen's Chief Financial Officer;
- (c) provide assurance regarding the quality and reliability of financial information used by the Board to enable the Board to maintain confidence in the financial reports;
- (d) oversee the activities of the external audit staff of SciGen and to review SciGen's risk management policies and internal control processes;
- (e) review and recommend to the Board the adoption of SciGen's annual financial statements; and
- (f) liaise with and review the performance of the external auditor, who may be invited to attend Audit Committee meetings to discuss financial matters and business risk.

###### *Corporate reporting*

The Managing Director and CFO have made the following certifications to the board:

- > that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group

#### *External auditors*

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers were appointed as the external auditors in 2 August 1999. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every seven years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 22 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

#### *Risk assessment and management*

The board is responsible for ensuring there are adequate policies in relation to risk oversight and management, and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the code of conduct is required at all times and the board actively promotes a culture of quality and integrity.

#### *Remuneration committee*

The remuneration committee consists of the following non-executive directors:

Mr. Barrie R. Martin (Chairman)  
Mr. R. Peter Campbell  
Mr. Paul Freiman

Details of these directors' qualifications, experience and attendance at remuneration committee meetings are set out in the directors' report on pages 25 - 28.

The remuneration committee advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages may include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Class 9 Option Plan. Information relating to these schemes is set out in note 30 to the financial statements.

Further information on directors' and executives' remuneration is set out in the directors' report and notes 20 and 21 to the financial statements.

## SCIGEN LTD AND CONTROLLED ENTITIES

### CORPORATE GOVERNANCE STATEMENT

#### PRINCIPLE 5

##### **Make timely and balanced disclosure**

###### *Continuous disclosure and shareholder communication*

The Managing Director has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The company complies with written policies and procedures of the ASX on information disclosure that focus on continuous disclosure of any information concerning the company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities.

All information disclosed to the ASX is posted on the company's web site as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site.

All shareholders receive a copy of the company's annual report unless they have indicated otherwise. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. All recent company announcements, media briefings, details of company meetings, press releases and financial reports are available on the company's website [www.scigen.com.au](http://www.scigen.com.au).

The website also includes a feedback mechanism and an option for shareholders to register their email address for email updates of company matters.

#### PRINCIPLE 6

##### **Respect the rights of shareholders**

The Company has developed a website which contains sections dealing specifically with investor information.

All ASX and other important announcements are published on the website simultaneously with their release into the public domain.

Shareholders can also email the company and receive updates or answers to specific questions.

In terms of external audit, a formal invitation has been extended by the Board to the Audit Partner at PricewaterhouseCoopers to attend the annual general meeting of the Company.

#### PRINCIPLE 7

##### **Recognise and manage risk**

SciGen is committed to the management of risks to protect its employees, assets, earnings, markets, reputation and the environment.

The Board has implemented risk management procedures throughout the company that aim to identify the sources of risk and loss, quantify the impact of these sources and control and reduce the risk through practical and cost effective control measures.

In addition, SciGen uses risk-financing techniques, including insurance, to reduce the financial impact of any uncontrollable or catastrophic losses.

The audit committee of the Board currently accepts the role and responsibility of overseeing the control of financial risk. The committee in conjunction with the external auditor ensures that adequate internal controls and risk-financing measures (such as insurance) are in place. These measures provide some protection against financial events.

In terms of more general risk management, managers in each country where SciGen employs staff are responsible for conforming with local occupational health and safety requirements. Given the relatively small size of the company and its geographic diversity it is not considered useful to constitute a formal Risk Management Committee at this point.

Further risk policy development will be undertaken in consultation with the Audit Committee and Board as appropriate.



PRINCIPLE 8

**Encourage enhanced performance**

The Chairman of SciGen has the responsibility of reviewing the performance of each director every year. SciGen's first anniversary of being listed on the ASX occurs on 15 November 2003. After this time the Chairman will undertake a review of directors' performance.

The Managing Director is assessed annually and the Remuneration Committee makes certain recommendations regarding salary adjustments. The Managing Director undertakes an annual review (using a structured system) of his direct reports.

Each year budgets provide for training and education of staff-both internally and externally.

PRINCIPLE 9

**Remunerate fairly and responsibly**

The Annual Report of the Company contains detailed information of the remuneration of directors and senior executives. This information includes references to share option allocations.

PRINCIPLE 10

**Recognise the legitimate interests of stakeholders**

The Company is in the process of finalising the formulation of a Code of Conduct and implementing its policies throughout the company. Recognition and stakeholder rights is a key element with this process. The Code will be published on the company's website.

# PRICEWATERHOUSECOOPERS

We have audited the financial statements of SciGen Ltd and the consolidated financial statements of the Group for the financial year ended 30 June 2003 set out on pages 41 to 71. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
  - (i) the state of affairs of the Company and of the Group at 30 June 2003, the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date; and
  - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification.

PricewaterhouseCoopers



Sydney  
30 September 2003

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This financial report covers both SciGen Ltd as an individual entity (the Company) and the Group consisting of SciGen Ltd and its controlled entities.

SciGen Ltd is a company limited by shares, incorporated and domiciled in Singapore. Its registered office and principal place of business is:

SciGen Ltd  
14 Science Park Drive  
The Maxwell #04-01A  
Singapore 118226

Accordingly all amounts in these financial statements are in Singapore Dollars (S\$).

A description of the nature of the Company and the Group's operations and its principal activities is included in the directors' report on pages 18 - 32, which are not part of this financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: [www.scigen.com.au](http://www.scigen.com.au).

For queries in relation to our reporting please call (65) 6779 6638 or (61) 2-9234-1700 or e-mail [scigenmail@scigen.com.au](mailto:scigenmail@scigen.com.au).

**SCIGEN LTD AND CONTROLLED ENTITIES**  
**INCOME STATEMENTS (IN SINGAPORE DOLLARS)**  
**FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	The Group		The Company	
		2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Revenue from ordinary activities (including finance income)	3	3,611	1,209	2,755	957
Changes in inventories		461	(145)	423	(190)
Purchases		(1,285)	(186)	(1,273)	(167)
Employee benefits expense (staff costs)		(3,424)	(2,491)	(2,435)	(1,723)
Depreciation and amortisation expenses		(265)	(137)	(243)	(119)
Other expenses	4	(3,708)	(2,143)	(4,326)	(1,747)
<b>Results of operating activities</b>		<b>(4,610)</b>	<b>(3,893)</b>	<b>(5,099)</b>	<b>(2,989)</b>
Borrowing costs expense (finance costs)		(261)	(351)	(244)	(309)
<b>Profit/(loss) from ordinary activities before related income tax expense</b>	5	<b>(4,871)</b>	<b>(4,244)</b>	<b>(5,343)</b>	<b>(3,298)</b>
Income tax expense	6	(10)	-	(10)	-
<b>Net profit/(loss)</b>		<b>(4,881)</b>	<b>(4,244)</b>	<b>(5,353)</b>	<b>(3,298)</b>
				<b>S Cents</b>	<b>S Cents</b>
Basic earnings per share				(1.350)	(1.580)
Diluted earnings per share				(1.350)	(1.580)

*The accompanying notes form an integral part of these financial statements.*  
*Auditors Report – Page 40*

**SCIGEN LTD AND CONTROLLED ENTITIES**  
BALANCE SHEETS IN (SINGAPORE DOLLARS)  
AS AT 30 JUNE 2003

	Notes	The Group		The Company	
		2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
<b>Current assets</b>					
Cash assets	7	17,369	379	17,199	227
Receivables	8	917	256	677	704
Inventories	9	591	130	493	70
Others	10	368	273	221	198
Total current assets		<u>19,245</u>	<u>1,038</u>	<u>18,590</u>	<u>1,199</u>
<b>Non-current assets</b>					
Investments in subsidiaries	11	-	-	2,219	1,655
Fixed assets	12	191	178	101	96
Intangible assets	13	22,778	21,233	22,778	21,233
Total non-current assets		<u>22,969</u>	<u>21,411</u>	<u>25,098</u>	<u>22,984</u>
<b>Total assets</b>		<u>42,214</u>	<u>22,449</u>	<u>43,688</u>	<u>24,183</u>
<b>Current liabilities</b>					
Payables	14	4,426	2,018	4,108	1,472
Interest bearing liabilities	15	-	5,497	-	5,418
Provisions	16	415	145	247	72
Total current liabilities		<u>4,841</u>	<u>7,660</u>	<u>4,355</u>	<u>6,962</u>
<b>NON-CURRENT LIABILITIES</b>					
Payables	17	1,283	3,548	1,283	3,548
Total non-current liabilities		<u>1,283</u>	<u>3,548</u>	<u>1,283</u>	<u>3,548</u>
<b>TOTAL LIABILITIES</b>		<u>6,124</u>	<u>11,208</u>	<u>5,638</u>	<u>10,510</u>
<b>NET ASSETS</b>		<u>36,090</u>	<u>11,241</u>	<u>38,050</u>	<u>13,673</u>
<b>EQUITY</b>					
Parent entity interest					
Contributed equity	18	550	353	550	353
Reserves	19(a)	52,863	23,330	52,863	23,330
Retained profits/ (Accumulated losses)	19(b)	(17,323)	(12,442)	(15,363)	(10,010)
Total parent entity interest		<u>36,090</u>	<u>11,241</u>	<u>38,050</u>	<u>13,673</u>
<b>Total equity</b>		<u>36,090</u>	<u>11,241</u>	<u>38,050</u>	<u>13,673</u>

*The accompanying notes form an integral part of these financial statements.*  
*Auditors Report – Page 40*

## SCIGEN LTD AND CONTROLLED ENTITIES

CASH FLOWS STATEMENTS (IN SINGAPORE DOLLARS)  
FOR THE YEAR ENDED 30 JUNE 2003

	Notes	The Group		The Company	
		2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		1,992	1,300	1,962	710
Payments to suppliers and employees (inclusive of goods and services tax)		(8,705)	(5,527)	(7,107)	(5,031)
		(6,713)	(4,227)	(5,145)	(4,321)
Interest received		238	5	234	1
Other revenue		8	-	5	-
Borrowing costs		(557)	(53)	(541)	(12)
Income taxes paid		(10)	-	(10)	-
<b>Net cash inflow/(outflow) from operating activities</b>	28	<b>(7,034)</b>	<b>(4,275)</b>	<b>(5,457)</b>	<b>(4,332)</b>
<b>Cash flows from investing activities</b>					
Payment for purchase of controlled entity, net of cash acquired		-	-	(398)	(268)
Payments for property, plant and equipment		(88)	(77)	(56)	(22)
Payments for patents and trademarks		(434)	-	(434)	-
Loan to related parties		-	-	(1,310)	(202)
Proceeds from sale of property, plant and equipment		2	16	4	-
Repayment of loans by related parties		14	(202)	14	195
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(506)</b>	<b>(263)</b>	<b>(2,180)</b>	<b>(297)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares and other equity securities		29,730	-	29,730	-
Proceeds from borrowings		2,252	4,809	1,724	4,766
Repayment of borrowings		(7,452)	-	(6,845)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>24,530</b>	<b>4,809</b>	<b>24,609</b>	<b>4,766</b>
<b>Net increase (decrease) in cash held</b>		<b>16,990</b>	<b>271</b>	<b>16,972</b>	<b>138</b>
Cash at the beginning of the financial year		379	108	227	89
<b>Cash at the end of the financial year</b>	7	<b>17,369</b>	<b>379</b>	<b>17,199</b>	<b>227</b>

The accompanying notes form an integral part of these financial statements.

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**SCIGEN LTD AND CONTROLLED ENTITIES**  
STATEMENTS OF CHANGES IN EQUITY (IN SINGAPORE DOLLARS)  
FOR THE YEAR ENDING 30 JUNE 2003

	Share Capital	Share Premium	Accumulated Losses	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>(a) The Group</b>				
Balance at 1 July 2002	353	23,330	(12,442)	11,241
Net Loss and total recognised loss for the financial year	-	-	(4,881)	(4,881)
Issue of Ordinary Shares	197	29,533	-	29,730
Balance at 30 June 2003	<u>550</u>	<u>52,863</u>	<u>(17,323)</u>	<u>36,090</u>
Balance at 1 July 2001	353	23,330	(8,198)	15,485
Net Loss and total recognised loss for the financial year	-	-	(4,244)	(4,244)
Issue of ordinary shares	-	-	-	-
Balance at 30 June 2002	<u>353</u>	<u>23,330</u>	<u>(12,442)</u>	<u>11,241</u>
<b>(b) The Company</b>				
Balance at 1 July 2002	353	23,330	(10,010)	13,673
Net Loss and total recognised loss for the financial year	-	-	(5,353)	(5,353)
Issue of Ordinary Shares	197	29,533	-	29,730
Balance at 30 June 2003	<u>550</u>	<u>52,863</u>	<u>(15,363)</u>	<u>38,050</u>
Balance at 1 July 2001	353	23,330	(6,712)	16,971
Net Loss and total recognised loss for the financial year	-	-	(3,298)	(3,298)
Issue of ordinary shares	-	-	-	-
Balance at 30 June 2002	<u>353</u>	<u>23,330</u>	<u>(10,010)</u>	<u>13,673</u>

*The accompanying notes form an integral part of these financial statements.*  
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SCIGEN LTD AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 30 JUNE 2003

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**(a) Basis of preparation**

The financial statements have been prepared in accordance with Singapore Statements of Accounting Standards. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are expressed in Singapore Dollars.

**(b) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

**(c) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**(d) Foreign currency translation**

*(i) Transactions*

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the income statements.

*(ii) Foreign controlled entities*

For the purpose of consolidation of foreign subsidiaries, whose operations are an integral part of the Company's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, except for plant and equipment, licences, share capital and share premium which are stated at historical cost, and the results are translated using the average exchange rates during the financial year. The exchange differences arising on translation of foreign subsidiaries are taken to the consolidated income statement.

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(e) **Revenue recognition**

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue from the sale of product is recognised at the time of delivery.

Interest income is accrued on a day to day basis.

(f) **Cash**

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) **Receivables**

All trade debtors are recognised at the amounts receivable and they are generally settled within 30 - 120 days depending upon the credit terms per territory.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable are written off in the period in which they are identified. A provision for doubtful debts is raised for any doubtful debts following a review of all outstanding amounts at balance sheet date.

(h) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Provision is made, where necessary, for obsolete, slow-moving and defective inventories.

(i) **Investments**

Investments in subsidiaries that are intended to be held for the long term are stated in the financial statements of the Company at cost less provision. This provision is made in recognition of a diminution in the value of the investments which is other than temporary, determined on an individual investment basis.

Profits or losses on disposal of investments are taken to the income statements.

(j) **Fixed assets and depreciation**

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis to write off the cost of the fixed assets over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Motor Vehicles	5 years
Plant and Machinery	5 years
Office Equipment	5 years
Office Furniture & Fittings	5 – 10 years

(k) **Accounting for Leases**

Operating lease payments are charged to the income statements on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**(l) Licences**

The initial costs of acquiring licence rights are capitalised and stated at cost less accumulated amortisation. The costs of licence rights are amortised on a straight-line basis and charged to the income statements over their estimated periods of right of use, which range from 8 to 20 years. The amortisation commences from the dates the products have been marketed, following the successful registrations of the products in any country or group of countries according to the licence agreements. Where an indication of impairment exists, the carrying amount of a licence right is assessed and written down to its recoverable amount.

**(m) Impairment of assets**

At each balance sheet date, the Company and the Group reviews all the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

**(n) Trade and other creditors**

These amounts represent liabilities for goods and services provided to the Company and the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid between 30 – 60 days of recognition.

**(o) Employee benefits**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

**(p) Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred.

**(q) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(r) Financial risk management**

The Group's activities expose it to a variety of financial risks, such as foreign exchange risk, interest rate risk, credit risk and liquidation risk. The financial risk management of the Group is handled by the Company as part of the operations of the Group.

*(i) Foreign exchange risk*

The Group's exposure to foreign exchange risk on its operations and the currency translation risk of the net assets of foreign subsidiaries is minimal. However, the Group management continually reviews its foreign exchange risk exposure.

*(ii) Interest rate risk*

The Group has no significant interest-bearing liabilities as at 30 June 2003.

## SCIGEN LTD AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

#### NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

*(iii) Credit risk*

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history.

*(iv) Liquidity risk*

The Group monitors cash flows on a regular basis to ensure availability of cash for day-to-day operations.

**(n) Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

**(m) Research and development**

Given the current stage of development of the Group, all research and development costs are expensed as incurred.

#### NOTE 2 : SEGMENT INFORMATION

**Business segments**

The Company and the Group operates in one business segment being the Bio-technology industry.

**Geographical segments**

The Company and the Group operates predominately in the following main geographical areas:

*Singapore*

The home country of the parent entity which is also the main operating entity. The areas of operation are principally corporate office functions and sales & marketing.

*Australia*

Includes sales and marketing activities.

*Vietnam*

Includes sales and marketing activities.

*Others*

Comprises operations carried on in Hong Kong, Philippines, India, Indonesia, Korea and other countries in South East Asia.

Primary reporting – geographical segments

	Australia		Vietnam		Singapore		Other/ Inter-segment Eliminations/ unallocated		Consolidated	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Sales to external customers	1,295	614	406	-	275	366	691	225	2,667	1,205
Intersegment sales	-	-	-	-	771	366	(771)	(366)	-	-
Total sales revenue	1,295	614	406	-	1,046	732	(80)	(141)	2,667	1,205
Segment result	597	55	(104)	-	(76)	(6)	(859)	(608)	(442)	(559)
Unallocated revenue less unallocated expenses									(4,429)	(3,685)
Profit from ordinary activities before related income tax expense									(4,871)	(4,244)
Income tax expense									(10)	-
Net profit									(4,881)	(4,244)
Segment assets	401	301	307	-	17,961	780	301	114	18,970	1,195
Unallocated assets									23,245	21,254
Total assets									42,215	22,449
Segment liabilities	(1,267)	(519)	(32)	-	(2,858)	(1,841)	(206)	(5)	(4,363)	(2,365)
Unallocated liabilities									(1,761)	(8,843)
Total liabilities									(6,124)	(11,208)
Depreciation and amortisation expense	(1)	(14)	(4)	-	(1)	(2)	(259)	(121)	(265)	(137)
Capital Expenditure on Property, Plant and Equipment/Intangibles	28	45	25	-	5	-	1,780	43	1,838	88

(a) Accounting policies

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, net of related provisions. Segment liabilities consist primarily of trade and other creditors and employee entitlements.

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

## SCIGEN LTD AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

#### NOTE 3 : REVENUE

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
<b>Revenue from operating activities</b>				
Sale of goods	2,667	1,204	1,949	956
<b>Revenue from outside the operating activities</b>				
Interest	238	5	234	1
Net foreign exchange gain	706	-	572	-
Revenue from ordinary activities	<b>3,611</b>	<b>1,209</b>	<b>2,755</b>	<b>957</b>

#### NOTE 4 : OTHER EXPENSES FROM ORDINARY ACTIVITIES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Professional & Consultancy Fees	1,051	600	1,015	966
Business Development Expenses	1,170	840	810	561
Insurance Premium	129	72	129	62
Rental Expenses	291	151	120	110
Administrative Expenses	544	207	804	139
Other expenses	523	273	1,448	193
Provision Written Back	-	-	-	(284)
	<b>3,708</b>	<b>2,143</b>	<b>4,326</b>	<b>1,747</b>

NOTE 5 : PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Profit/(loss) from ordinary activities is arrived at after:				
<i>Charging:</i>				
Auditors' remuneration				
- Auditor fees	61	31	66	25
- Non audit fees	154	-	154	-
Depreciation				
- Motor Vehicles	1	5	1	1
- Plant and machinery	6	6	6	6
- Office equipment	45	34	27	22
- Office furniture and fittings	8	6	5	4
Net Loss on disposal of fixed assets	14	16	13	12
Amortisation of licences	204	86	204	86
Directors' remuneration	807	175	711	175
Professional fees paid to directors	188	415	188	415
Professional fees paid to a corporation in which a director has an interest	229	240	229	240
Net foreign exchange losses	-	65	-	99
Rental expenses – operating leases	291	151	120	110
Bad debts written off	8	-	7	-
Provision for diminution in investment	-	-	1,144	-
Research and development	97	71	538	560
Defined contribution plans				
- Superannuation expenses of defined plans/CPF	149	108	96	59
Interest Expense				
- Related entities	249	337	233	297
- Others persons	12	14	11	12

NOTE 6 : INCOME TAX

Tax expense of S\$9,556 has been recognised relating to the withholding tax on our interest income from the fixed deposit account in Australia.

There is no tax expense on the results for the financial year for the Group and the Company as the Company and its subsidiaries have all incurred losses for tax purposes.

The Company has unutilised tax losses of approximately S\$12,584,825 (2002: S\$7,596,670) available for offsetting against future taxable income, subject to there being no substantial change in shareholders, confirmation by relevant tax authorities and the fulfilment of certain conditions. Deferred tax benefits on these unutilised tax losses, amounting to approximately S\$2,768,662 (2002: S\$1,671,267), have not been recognised in the Company.

The Group has unutilised tax losses of approximately S\$16,868,757 (2002: S\$9,900,000) available for offsetting against future taxable income, subject to there being no substantial change in shareholders, confirmation by relevant tax authorities and the fulfilment of certain conditions. Deferred tax benefits on these unutilised tax losses, amounting to approximately S\$3,711,126 (2002: S\$2,200,000), have not been recognised in the Group.

## SCIGEN LTD AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

#### NOTE 7 : CURRENT ASSETS – CASH ASSETS

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Cash at bank and on hand	591	372	420	220
Deposits at call	16,778	7	16,779	7
	<b>17,369</b>	<b>379</b>	<b>17,199</b>	<b>227</b>

The deposits are bearing floating interest rates between 0.63% and 4.33% (2002 - 2%).

#### NOTE 8 : CURRENT ASSETS – RECEIVABLES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Trade debtors	807	131	567	579
Amounts due from directors or director of related entity	335	350	335	350
Less: Provision for doubtful debts	(225)	(225)	(225)	(225)
	<b>110</b>	<b>125</b>	<b>110</b>	<b>125</b>
	<b>917</b>	<b>256</b>	<b>677</b>	<b>704</b>

Movements in provision for doubtful debts are as follows:-

	The Group		The Company	
	2003 S\$'000		2003 S\$'000	
At the beginning of financial year		225		225
Provision made during the year		-		-
Bad debts written off against provision		-		-
At the end of the financial year		<b>225</b>		<b>225</b>



NOTE 9 : CURRENT ASSETS – INVENTORIES

	The Group		The Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Finished goods				
– at cost	591	130	493	70

NOTE 10 : CURRENT ASSETS – OTHERS

	The Group		The Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Sundry Deposits	147	132	116	101
Other Debtors	52	12	1	7
Staff Advances	50	34	49	32
Prepayments	119	95	55	58
	<b>368</b>	<b>273</b>	<b>221</b>	<b>198</b>

NOTE 11 : NON-CURRENT ASSETS - INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003	2002
	S\$'000	S\$'000
Unquoted equity shares, at cost	1,144	746
Less: Provision in diminution in investment	(1,144)	-
	-	746
Advance to a subsidiary	2,219	909
	<b>2,219</b>	<b>1,655</b>

The advance to a subsidiary is unsecured and interest free. There are no fixed terms of repayment but repayment is not expected within the next 12 months from the balance sheet date.

SCIGEN LTD AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 12 : NON-CURRENT ASSETS – FIXED ASSETS

	Motor Vehicles	Plant & Machinery	Office Equipment	Office Furniture & Fittings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>(a) The Group</b>					
<i>Cost</i>					
At 1 July 2002	7	28	221	51	307
Additions	-	-	75	13	88
Disposal	(7)	-	(43)	-	(50)
At 30 June 2003	-	28	253	64	345
<i>Accumulated Depreciation</i>					
At 1 July 2002	3	8	101	17	129
Depreciation charge	1	6	45	8	60
Disposals	(4)	-	(31)	-	(35)
At 30 June 2003	-	14	115	25	154
Net book value At 30 June 2003	-	14	138	39	191
Net book value At 30 June 2002	4	20	120	34	178
<b>(b) The Company</b>					
<i>Cost</i>					
At 1 July 2002	7	28	122	33	190
Additions	-	-	48	8	56
Disposals	(7)	-	(40)	-	(47)
At 30 June 2003	-	28	130	41	199
<i>Accumulated Depreciation</i>					
At 1 July 2002	3	8	68	15	94
Depreciation charge	1	6	27	5	39
Disposals	(4)	-	(31)	-	(35)
At 30 June 2003	-	14	64	20	98
Net book value At 30 June 2003	-	14	66	21	101
Net book value At 30 June 2002	4	20	54	18	96

NOTE 13 : NON-CURRENT ASSETS – LICENCES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
<b>(a) Cost</b>				
At 1 July	21,519	21,519	21,519	21,519
Additions	1,750	-	1,750	-
At 30 June	<u>23,269</u>	<u>21,519</u>	<u>23,269</u>	<u>21,519</u>
<b>Accumulated Amortisation</b>				
At 1 July	286	200	286	200
Amortisation charged	205	86	205	86
At 30 June	<u>491</u>	<u>286</u>	<u>491</u>	<u>286</u>
<i>Net Book Value</i>	<u>22,778</u>	<u>21,233</u>	<u>22,778</u>	<u>21,233</u>
			Cost S\$	Duration of licences
<b>(b) Type of licences in respect of biopharmaceutical generic drugs</b>				
Rights to market and distribute	11,168,361			10-20 years from date of first approval for sales in specified group countries
Rights to market and distribute	2,632,715			10-20 years from date of first approval for sale in specified countries
Right to use technology to establish large scale production facility	7,753,425			10-20 years from date of approval in licensed territory. Renewable for additional period of 7 years
Right to develop, manufacture, market, distribute and sell	1,715,000			99 years from 10 November 1993 (agreement date). Automatic renewal for 99 years
	<u>23,269,501</u>			

## SCIGEN LTD AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

#### NOTE 13 : NON-CURRENT ASSETS – LICENCES (CONT)

Some of the licences to market and distribute require the Company to obtain the relevant regulatory approvals in countries specified in the agreements within a specified period of time, failing which the licence agreements can be terminated. The countries are largely within the Asia Pacific region.

The licence with the right to use technology requires the Company to erect and operate a facility with a minimal production capacity, failing which the licensor has the right to terminate the agreement.

The licence with the right to develop and manufacture requires the Company to fund the development of the product undertaken by the licensor. The development fee is payable to the licensor in instalments over the stages of the development as stipulated in the licence agreement.

In assessing the carrying amount of the licences, the directors rely on the use of estimates of:

- > the future cash inflows and outflows to be derived from the licences for the next 6 years;
- > the risk adjusted discount rate to be applied to these future cash flows; and
- > the useful lives of these intangibles.

The directors consider that, in arriving at the above estimates, they have made the best assessment they can, taking into account of the conditions prevailing at 30 June 2002 and current information available to them, including an independent valuation carried out by Aoris Nova Pty Ltd on 28 July 2002 and updated as at 21 August 2003 which confirms that the fair value of the major licence is in excess of its carrying value.

The financial obligations to the licensors arising from the acquisition of these licences are disclosed in note 14 to the financial statements.

#### NOTE 14 : CURRENT LIABILITIES – PAYABLES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Trade creditors	797	766	519	240
Short-term portion of obligation to licensors	3,570	1,145	3,570	1,145
Other creditors	59	107	19	87
	<b>4,426</b>	<b>2,018</b>	<b>4,108</b>	<b>1,472</b>

#### NOTE 15 : CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
<b>Unsecured</b>				
Convertible Notes	-	5,200	-	5,121
Accrued Interest on the Convertible Notes	-	297	-	297
	<b>-</b>	<b>5,497</b>	<b>-</b>	<b>5,418</b>

**Convertible Notes (Unsecured)**

During the previous financial year, the company issued 10% convertible notes to Sonic Healthcare in satisfaction on the balances due to Sonic and its related corporations. The notes constituted a direct, unconditional and unsecured obligation of the company, ranking pari passu with all other unsecured and unsubordinated obligation of the company outstanding other than those which are preferred by mandatory provision of the law.

On 31 October 2002, the company redeemed the notes and settled the related interest through cash settlement.

**NOTE 16 : CURRENT LIABILITIES – PROVISIONS**

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Employee benefits	227	101	74	30
Other accruals	188	44	173	42
	<b>415</b>	<b>145</b>	<b>247</b>	<b>72</b>

**NOTE 17 : NON-CURRENT LIABILITIES – PAYABLES**

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Long-term portion of obligations to licensors	<b>1,283</b>	3,548	<b>1,283</b>	3,548
The amount payable to licensors are unsecured, interest-free and payable as follows:				
Payable by 30 June 2003	-	2,291	-	2,291
Payable by 30 June 2005	<b>1,283</b>	1,257	<b>1,283</b>	1,257
Total	<b>1,283</b>	<b>3,548</b>	<b>1,283</b>	<b>3,548</b>

SCIGEN LTD AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 30 JUNE 2003

NOTE 18 : CONTRIBUTED EQUITY

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
(a) <b>Share capital Authorised :</b>				
456,847,500 ordinary of S\$0.0013133 each (2002 : 40,000,000 shares of S\$0.01 each)	600	400	600	400
<b>Issued and Fully Paid :</b>				
Balance as of 1 July 2002				
352,324,535 ordinary "A" & "B" shares at S\$0.01 each	353	353	353	353
<i>Conversion of "A" &amp; "B" shares in "Ordinary" shares.</i>				
Subdivision of existing ordinary shares by 7.6141250751 (additional 233,640,908 shares issued)				
Issue of 150,000,000 shares	197	-	197	-
	<b>550</b>	<b>353</b>	<b>550</b>	<b>353</b>

Class "A" ordinary shares and class "B" ordinary shares rank equally in all respects and the rights attaching to these shares are the same except for dividend pay-out rate which varies according to the class.

(b) **Ordinary shares**

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

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

(c) **Options**

Information relating to the SciGen's Class 1 to 8 options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 30.

NOTE 19 : RESERVES AND RETAINED PROFITS/(ACCUMULATED LOSSES)

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
<b>(a) Share Premium Reserves</b>				
Share Premium	52,863	23,330	52,863	23,330
<b>Movements:</b>				
Share Premium Reserve				
Balance 30 June 2002	23,330	23,330	23,330	23,330
Share premium on 150,000,000 shares allotted on 15 November, 2002	29,533	-	29,533	-
Balance 30 June 2003	52,863	23,330	52,863	23,330
<b>(b) Retained profits/(accumulated losses)</b>				
Retained losses at the beginning of the financial year	(12,442)	(8,198)	(10,010)	(6,712)
Net losses attributable to members of SciGen Ltd	(4,881)	(4,244)	(5,353)	(3,298)
Retained losses at the end of the financial year	(17,323)	(12,442)	(15,363)	(10,010)

NOTE 20 : REMUNERATION OF DIRECTORS

	Directors of entities in the Company and the Group		Directors of the Company	
	2003 S\$	2002 S\$	2003 S\$	2002 S\$
Income paid or payable, or otherwise made available, to directors by entities in the Company and the Group and related parties in connection with the management of affairs of the parent entity or its controlled entities*	1,207,334	389,601	1,135,456	389,601

\*Excluding executives of the parent entity who are only directors of wholly-owned controlled entities.

The above remuneration includes consultancy fees for Mr. Saul A. Mashaal and Mr. Paul Freiman.

Options are granted to executive directors under the SciGen Class 7 & 8 options, details of which are set out in note 26. Details of options granted to and exercised by directors during the year ended 30 June 2003 are set out in note 26.

The amounts disclosed for remuneration of directors exclude the assessed fair values of options granted to directors during the year ended 30 June 2003 at the date they were granted as disclosed in the Directors' Report. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

SCIGEN LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

NOTE 20 : REMUNERATION OF DIRECTORS (CONT)

The numbers of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

	S\$	2003	2002
10,000 - 19,999		5	-
40,000 - 49,999		1	-
50,000 - 59,999		1	1
330,000 - 339,999		1	1
620,000 - 629,999		1	-

NOTE 21 : REMUNERATION OF EXECUTIVES

	Executive officers of the Group		Executive Officers of the Company	
	2003	2002	2003	2002
	S\$	S\$	S\$	S\$

Remuneration received, or due and receivable, from entities in the Company and the Group and related parties by Australian based executive officers (including directors) whose remuneration was at least \$100,000:

Executive officers of the Company and the Group	458,127	616,104	133,580	324,459
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	Outstanding 30 June 2002	Granted	Exercised	Outstanding 30 June 2002
Australian based executive officers of the Company	-	8,379,311	-	8,379,311

The numbers of Australian based executive officers (including directors) whose remuneration from entities in the Company and the Group and related parties was within the specified bands are as follows:

	Executive officers of the Company and the Group		Executive Officers of the Company	
S\$	2003	2002	2003	2002
120,000 - 129,999	-	1	-	-
130,000 - 139,999	1	-	1	-
150,000 - 159,999	1	-	-	-
160,000 - 169,999	-	1	-	-
170,000 - 179,999	1	-	-	-
330,000 - 339,999	-	4	-	1



NOTE 22 : REMUNERATION OF AUDITORS

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
<b>PricewaterhouseCoopers</b>				
Audit or review of the entity or any entity in the Company and the Group	61,249	31,000	61,249	25,000
Total audit and other assurance services	<u>61,249</u>	<u>31,000</u>	<u>61,249</u>	<u>25,000</u>
Other accounting advisory services (including costs associated with the spin-out of SciGen Ltd)	154,060	-	154,060	-
Total remuneration	<u>215,309</u>	<u>31,000</u>	<u>215,309</u>	<u>25,000</u>

NOTE 23 : CONTINGENT LIABILITIES

**Contingent liabilities**

As at the balance sheet date, the Company has given an understanding to provide continuing financial support to its subsidiaries. The net liabilities of the subsidiaries at the balance sheet date amounted to S\$1,879,567.

NOTE 24 : COMMITMENTS FOR EXPENDITURE

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
<b>Lease commitments</b>				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	166	254	45	94
Later than one year but not later than 5 years	-	185	-	52
	<u>166</u>	<u>439</u>	<u>45</u>	<u>146</u>
Representing:				
Non-cancellable operating leases	166	439	45	146
	<u>166</u>	<u>439</u>	<u>45</u>	<u>146</u>

## SCIGEN LTD AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

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#### NOTE 25 : EMPLOYEE BENEFITS

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
<b>Employee benefit and related on-costs liabilities</b>				
Provision for employee benefits – current (note 16)	227	101	74	30
Aggregate employee entitlement and related on-costs liabilities	227	101	74	30

	Number		Number	
	2003	2002	2003	2002
<b>Employee numbers</b>				
Average number of employees during the financial year	36	19	26	5

Set out below are summaries of options granted under the plan.

Grant Date	Expiry date	Exercise price A\$	Balance at start 1 July 02 Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number
<b>Consolidated and parent entity – 2003</b>							
15 Nov 2002	15 Nov 2006	A\$0.20	-	8,379,311	-	-	8,379,311
15 Nov 2002	15 Nov 2006	A\$0.20	-	8,379,311	-	-	8,379,311
15 Nov 2002	15 Nov 2006	A\$0.20	-	1,500,000	-	-	1,500,000
Total			-	18,258,622	-	-	18,258,622
<b>Consolidated and parent entity – 2002 (NIL)</b>							
Total			-	-	-	-	-

#### NOTE 26 : RELATED PARTIES

##### Directors

The names of persons who were directors of SciGen Ltd at any time during the financial year are as follows: Mark R. Compton, Saul A. Mashaal; Paul Freiman, Barrie R. Martin; Colin S. Goldschmidt; Christopher D. Wilks; R. Peter Campbell; Kenneth Gross; and S. Iswaran. All of these persons were also directors during the year ended 30 June 2002, except for Mark R. Compton and S. Iswaran who was appointed on 31 October 2002 and 1 January 2003 respectively.

##### Remuneration and retirement benefits

Information on remuneration of directors is disclosed in note 20.

##### Loans to directors and director-related entities

Loans to directors of entities in the Company and the Group and their director-related entities disclosed in note 8:

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Amounts due from Director-related entities (Unsecured)	335	350	335	350

NOTE 26 : RELATED PARTIES (CONT)

Transactions of directors and director-related entities concerning shares or share options

Aggregate numbers of shares and share options of SciGen Ltd acquired or disposed of by directors of the company and Company and the Group or their director-related entities from the company:

	The Group 2003	and	The Company 2002
<b>Acquisitions</b>			
Ordinary shares, including shares issued under the employee share scheme			
Class 1, 7 & 8 options over ordinary shares	18,258,622		-

The establishment of the Class 1,7 & 8 SciGen Options scheme were approved by shareholders at the extraordinary general meetings held on 15 November 2002. The terms and conditions of these schemes are described in note 30. All other transactions relating to shares and options of the company, including the payment and receipt of dividends, were on the same basis as similar transactions with other shareholders.

Aggregate numbers of shares and share options of SciGen Ltd held directly, indirectly or beneficially by directors of the company or the Company and the Group or their director-related entities at balance date:

	2003 Number	and	2002 Number
<b>Ordinary shares</b>			
Saul A. Mashaal	108,931,015		-
Paul Freiman	-		-
Kenneth Gross	108,931,015		-
Colin S. Goldschmidt	950,000		-
Christopher D. Wilks	623,000		-
Mark Compton	100,400		-
<b>Share Options</b>			
Paul Freiman	1,000,000		-
Mark R. Compton	8,379,311		-
Saul A. Mashaal	8,379,311		-
Colin S. Goldschmidt	4,000,000		-
Christopher D. Wilks	2,500,000		-
Peter Campbell	1,000,000		-
Kenneth Gross	1,000,000		-
Barrie Martin	1,000,000		-

Other transactions with directors and director-related entities

A director, Paul Freiman, is a director and shareholder of Scitech Group. SciGen Ltd entered into a contract with Paul Freiman during the year for consultancy services. The contract was based on normal commercial terms and conditions.

A director, Saul A. Mashaal, is a partner in the firm of, Scitech Medical Group. Saul A. Mashaal has provided consultancy services to the company and certain of its controlled entities for several years on normal commercial terms and conditions.

## SCIGEN LTD AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

#### NOTE 26 : RELATED PARTIES (CONT)

Aggregate amounts of each of the above types of other transactions with directors and their director-related entities:

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Paul Freiman's Consultancy Fees	26,631	55,057	26,631	55,057
Mashaal Enterprises – Saul Mashaal	228,756	239,994	228,756	239,994
<b>Aggregate amounts payable to directors and their director-related entities at balance date:</b>				
<i>Current liabilities</i>				
Douglass Hanly Moir	-	79,074	-	-
Sonic Healthcare Ltd	-	5,417,821	-	5,417,821

#### Wholly-owned group

The wholly-owned group consists of SciGen Ltd and its wholly-owned controlled entities, SciGen Pty Ltd and SciGen Korea Ltd. Interests held in these controlled entities are set out in note 27.

Transactions between SciGen Ltd and other entities in the wholly-owned group during the years ended 30 June 2003 and 2002 consisted of:

- loans advanced by SciGen Ltd
- loans repaid to SciGen Ltd
- the sale of products by SciGen Ltd.
- investment by and issue of share capital to SciGen Ltd.

The above transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by SciGen Ltd.

The Company	
2003 S\$'000	2002 S\$'000
567	591

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

Aggregate amounts receivable from entities in the wholly-owned group at balance date: 567 591

#### Controlling entities

During the year under review, the ultimate holding corporation, Sonic Healthcare Ltd, incorporated in Australia, divested its controlling interest in SciGen Ltd., retaining 11.48% as at 30 June 2003.

SCIGEN LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

Ownership interests in related parties

Interests held in the controlled entities are set out in the following note 27.

In addition to the related party information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	The Group	
	2003 S\$'000	2002 S\$'000
<i>With a related party</i>		
Returns of trading stocks to	-	219
<i>With a fellow subsidiary</i>		
Rental paid to	-	14
Service fee paid to	-	24

NOTE 27 : INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of shares	Equity holding	
			2003 %	2002 %
SciGen Pty Ltd	Australia	Ordinary	100%	100%
SciGen Korea Ltd	Korea	Ordinary	100%	100%

NOTE 28 : RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Profit from ordinary activities after related income tax	(4,881)	(4,261)	(5,353)	(3,298)
Depreciation and amortisation	264	137	243	119
Loss on Disposal of Fixed Assets	14	15	12	12
Interest Expenses	-	297	-	297
Write down of Investment	-	-	1,144	-
Exchange Difference	-	17	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale:-				
Decrease (increase) in receivables	(675)	96	12	(530)
Decrease (increase) in inventories	(461)	145	(423)	190
Decrease (increase) in other operating assets	(95)	37	(23)	33
Increase (decrease) in trade creditors	795	(4,387)	(86)	(4,740)
Increase (decrease) in other operating liabilities	(2,265)	3,548	(1,158)	3,548
Increase (decrease) in other provisions	270	81	175	37
Net cash inflow from operating activities	(7,034)	(4,275)	(5,457)	(4,332)

## SCIGEN LTD AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

#### NOTE 29 : EARNINGS PER SHARE

	The Group	
	2003 S Cents	2002 S Cents
Basic earnings per share	(1.350)	(1.580)
Diluted earnings per share	(1.350)	(1.580)

	The Group	
	2003 Number	2002 Number
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	362,253,114	268,965,161
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	362,253,114	268,965,161

	The Group	
	2003 S\$'000	2002 S\$'000
<b>Reconciliations of earnings used in calculating earnings per share</b>		
Basic earnings per share		
Net profit	(4,881)	(4,244)
Earnings used in calculating basic earnings per share	(4,881)	(4,244)
Diluted earnings per share		
Net profit	(4,881)	(4,244)
Earnings used in calculating diluted earnings per share	(4,881)	(4,244)

#### Information concerning the classification of securities

##### (a) Options

Options granted to employees under the Class 1 through Class 8 Option Plans are considered to be potential ordinary shares. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 30.

##### (b) Convertible notes

Convertible notes have been excluded in the determination of diluted earnings per share on the basis that this was an Intercompany loan which was settled in cash.

NOTE 30 : SHARE OPTIONS

Set out below are the different classes of option granted, exercised and cancelled during the financial year, and options as at the end of the financial year:-

Grant Date	Class	Exercise Period A\$	Exercise Price A\$	Options Granted	Option Exercised	Option Cancelled	Balance as at 30 June 2003
15 Nov 02	Class 1	15 Nov 2003 to 15 Nov 2006	A\$0.20	7,500,000	-	-	7,500,000
27 Nov 02	Class 2	27 Nov 2002 to 15 Dec 2003	A\$0.11	779,000	-	-	779,000
27 Nov 02	Class 3	27 Nov 2002 to 20 Feb 2005	A\$0.18	2,123,000	-	-	2,123,000
27 Nov 02	Class 4	27 Nov 2002 to 20 Apr 2005	A\$0.18	4,500,000	-	-	4,500,000
27 Nov 02	Class 5	27 Nov 2002 to 20 Apr 2006	A\$0.25	3,434,400	-	-	3,434,400
27 Nov 02	Class 6	27 Nov 2002 to 16 May 2007	A\$0.15	1,577,500	-	-	1,577,500
15 Nov 02	Class 7	15 Nov 2002 to 15 Nov 2006	A\$0.20	8,379,311	-	-	8,379,311
15 Nov 02	Class 8	15 Nov 2002 to 15 Nov 2012	A\$0.20	8,379,311	-	-	8,379,311

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or of its subsidiaries.

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

**SCIGEN LTD AND CONTROLLED ENTITIES**  
**SHAREHOLDER INFORMATION**

The shareholder information set out below was applicable as at 25 September 2003.

**(a) Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares
1 - 1,000	1,919,676
1,001 - 5,000	6,667,829
5,001 - 10,000	4,652,450
10,001 - 100,000	58,087,444
100,001 and over	347,638,044
	418,965,443

There were 6,512 holders of less than a marketable parcel of ordinary shares.

**(b) Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

	Number Held	Percentage of issued shares
Scitech Genetics Pte Ltd.	108,931,015	26.00%
Sonic Healthcare Ltd	48,104,885	11.48%
Cogent Nominees Pty Ltd <SMP Accounts>	6,597,509	1.57%
Equifast Nominees Pty Ltd	4,320,446	1.03%
Westpac Financial Services	4,042,114	0.96%
ANZ Nominees Ltd	3,202,117	0.76%
Rapcorp Pty Ltd	3,000,000	0.72%
Dr. Thomas Davis	2,970,485	0.71%
Bardavis Pty Ltd	2,970,000	0.71%
Mr. Dongsheng Ji & Mrs. Jing Li	2,480,000	0.59%
Commonwealth Custodial Services Limited	2,263,823	0.54%
Queensland Investment Corporation	2,168,911	0.52%
Dimlana Pty Ltd <Nastovski Family A/C>	2,000,000	0.48%
Quotidian No. 2 Pty Ltd	1,800,000	0.43%
Bujo Pty Ltd	1,500,000	0.36%
Corcards Pty Ltd	1,500,000	0.36%
Fortis Clearing Nominees Pty Ltd <Settlement A/C>	1,500,000	0.36%
Quinteal Pty Ltd	1,500,000	0.36%
Canonbar Investments Pty Ltd	1,494,269	0.36%
AJ Richardson Nominees Pty Ltd <Richardson Family A/C>	1,308,700	0.31%
	203,654,274	48.61%



(c) **Substantial holders**

Substantial holders in the company are set out below:

	Number Held	Percentage
Ordinary shares		
Sonic Healthcare Ltd	48,104,885	11.48%
Scitech Genetics Pte Ltd	108,931,015	26.00%

(d) **Voting rights**

The voting rights attaching to each class of equity securities are set out below:

(a) *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) *Options*

No voting rights.

**SCIGEN LTD AND CONTROLLED ENTITIES**  
CORPORATE DIRECTORY

**PRINCIPAL REGISTERED OFFICE IN SINGAPORE**

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**PRINCIPAL REGISTERED OFFICE IN AUSTRALIA**

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**SHARE AND DEBENTURE REGISTERS**

Computershare Investor Services Pty Limited

Level 5, 115 Grenfell Street, Adelaide,

South Australia, 5000, Australia

Ph: 1300 556 161 (within Australia)

Ph: (61) 3 9615 5970 (outside Australia)

Fax: (61) 8 8236 2305

Website: [www.computershare.com](http://www.computershare.com)

**AUDITOR**

PricewaterhouseCoopers

**SOLICITORS**

Allen & Gledhill

Coudert Brothers

**BANKERS**

ANZ Bank, Ltd.

DBS Bank, Ltd.

CitiBank, Ltd

Kookmin Bank, Ltd.

**STOCK EXCHANGE LISTINGS**

SciGen Limited is a public company incorporated in Singapore. Shares (other than those held by Sonic Healthcare Limited and Scitech Genetics Pte Ltd - which are held in escrow) are held by Chess Depository Nominees in Australia and are publicly traded on the Australian Stock Exchange in the form of CHESS Units of Foreign Securities (CUFS) on a 1 CUF for 1 fully paid ordinary Share basis.

**WEBSITE ADDRESS**

[www.scigen.com.au](http://www.scigen.com.au)

**CURRENCY**

The annual report is prepared in Singapore dollars