

# **Preliminary Final Report of SciGen Limited for the Financial Year Ended 30 June 2004.**

(ABRN 101 318 852)

*This Preliminary Final Report is provided to the Australian Stock Exchange (ASX)  
under ASX Listing Rule 4.3A.*

Current Reporting Period: Financial Year ending 30 June 2004

Previous Corresponding Period: Financial Year ending 30 June 2003

**SCIGEN LIMITED**  
**APPENDIX 4E – PRELIMINARY FINAL REPORT**

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**Results For Announcement To The Market**  
**For the Financial Year Ended 30 June 2004**

Revenue and Net Loss

		Percentage Change %	Amount S\$ '000
Revenue from ordinary activities	Up	79%	To 6,479
Loss from ordinary activities after tax attributable to members	Dn	12%	To (4,311)
Net Loss for the period attributable to members	Dn	12%	To (4,311)

**Revenue**

Revenue for the year increased from the prior year due to –

- The registration of its Recombinant Human Insulin and the marketing of the product in Vietnam.
- The commercialisation agreement and sales of Recombinant Human Insulin in Pakistan.
- The establishment of the company and its products in territories resulting in an increase in the market share for Human Growth Hormone and Hepatitis B Vaccine.

**Net Loss**

The decreased loss was largely attributable to increased revenue.

**Dividend**

The company does not propose any dividend for the year.

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**Consolidated Statement of Financial Performance**  
**For the Financial Year Ended 30 June 2004**

	<u>Note</u>	<u>2004</u> <u>S\$ '000</u>	<u>2004</u> <u>A\$ '000</u>	<u>2003</u> <u>S\$ '000</u>	<u>2003</u> <u>A\$ '000</u>
Revenue from ordinary activities	2(a)	6,479	5,282	3,611	3,415
Changes in inventories		(125)	(102)	461	451
Purchases		(2,317)	(1,889)	(1,285)	(1,259)
Employee benefits expenses		(4,089)	(3,333)	(3,424)	(3,354)
Depreciation & amortisation expenses		(286)	(233)	(265)	(259)
Borrowing costs		(21)	(17)	(261)	(255)
Professional & consultancy fees		(564)	(460)	(1,051)	(1,030)
Business development expenses		(1,521)	(1,240)	(1,170)	(1,145)
Insurance premiums		(156)	(128)	(129)	(127)
Rental expenses		(337)	(274)	(291)	(286)
Administrative expenses		(646)	(526)	(544)	(532)
Other expenses from ordinary activities		(728)	(595)	(523)	(391)
<b>Loss From Ordinary Activities Before Income Tax Expense</b>		(4,311)	(3,515)	(4,871)	(4,772)
Income tax expense		-	-	(10)	(9)
<b>Loss From Ordinary Activities After Related Income Tax</b>		(4,311)	(3,515)	(4,881)	(4,781)
Net exchange difference recognised in equity		-	56	-	2,478
<b>Total Changes in Equity not resulting from transactions with owners as owners</b>		(4,311)	(3,459)	(4,881)	(2,303)
<b>Earnings per security (EPS)</b>		<b>(S ¢)</b>	<b>(A ¢)</b>	<b>(S ¢)</b>	<b>(A ¢)</b>
Basic EPS		(1.0289)	(0.8389)	(1.3474)	(1.320)
Diluted EPS		(1.0289)	(0.8389)	(1.3474)	(1.320)

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**Consolidated Statement of Financial Position**  
**As at 30 June 2004**

	<u>Note</u>	<u>2004</u> <u>S\$ '000</u>	<u>2004</u> <u>A\$ '000</u>	<u>2003</u> <u>S\$ '000</u>	<u>2003</u> <u>A\$ '000</u>
<b>Current Assets</b>					
Cash assets		9,555	8,063	17,369	14,837
Receivables		1,475	1,245	917	783
Inventories		466	393	591	505
Other		621	524	368	314
<b>Total Current Assets</b>		<u>12,117</u>	<u>10,225</u>	<u>19,245</u>	<u>16,439</u>
<b>Non-Current Assets</b>					
Property, plant and equipment		191	162	191	163
Intangible assets	4	<u>22,557</u>	<u>19,036</u>	<u>22,778</u>	<u>19,458</u>
<b>Total Non-Current Assets</b>		<u>22,748</u>	<u>19,198</u>	<u>22,969</u>	<u>19,621</u>
<b>Total Assets</b>		<u>34,865</u>	<u>29,423</u>	<u>42,214</u>	<u>36,060</u>
<b>Current Liabilities</b>					
Payables		2,238	1,889	4,426	3,781
Provisions		419	354	415	355
<b>Total Current Liabilities</b>		<u>2,657</u>	<u>2,243</u>	<u>4,841</u>	<u>4,136</u>
<b>Non-Current Liabilities</b>					
Payables		429	362	1,283	1,096
<b>Total Non-Current Liabilities</b>		<u>429</u>	<u>362</u>	<u>1,283</u>	<u>1,096</u>
<b>Total Liabilities</b>		<u>3,086</u>	<u>2,605</u>	<u>6,124</u>	<u>5,232</u>
<b>Net Assets</b>		<u>31,779</u>	<u>26,818</u>	<u>36,090</u>	<u>30,828</u>
<b>Equity</b>					
Contributed equity & reserves		53,413	45,074	53,413	45,625
Accumulated losses	5	<u>(21,634)</u>	<u>(21,014)</u>	<u>(17,323)</u>	<u>(17,499)</u>
		31,779	24,060	36,090	28,126
Effects of foreign currency translation		-	2,758	-	2,702
<b>Total Equity</b>		<u>31,779</u>	<u>26,818</u>	<u>36,090</u>	<u>30,828</u>

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**Consolidated Statement of Cash Flows**  
**For the Financial Year Ended 30 June 2004**

	<u>Note</u>	<u>2004</u> <u>S\$ '000</u>	<u>2004</u> <u>A\$ '000</u>	<u>2003</u> <u>S\$ '000</u>	<u>2003</u> <u>A\$ '000</u>
<b>Cash Flows From Operating Activities</b>					
Receipts from customers		5,432	4,428	1,992	1,951
Payments to suppliers and employees		(10,383)	(8,465)	(8,705)	(8,527)
Other revenue		-	-	8	8
Interest received		307	250	238	233
Interest paid		(21)	(17)	(557)	(546)
Income tax paid		-	-	(10)	(9)
<i>Net cash outflow from operating activities</i>		<u>(4,665)</u>	<u>(3,804)</u>	<u>(7,034)</u>	<u>(6,890)</u>
<b>Cash Flows From Investing Activities</b>					
Repayment of loans by related parties		3	3	14	14
Payment for property, plant and equipment		(81)	(68)	(88)	(87)
Proceeds from sales of property, plant and equipment		-	-	2	2
Payment for intangible assets		(3,071)	(2,592)	(434)	(425)
<i>Net cash outflow from investing activities</i>		<u>(3,149)</u>	<u>(2,657)</u>	<u>(506)</u>	<u>(496)</u>
<b>Cash Flows from Financing Activities</b>					
Proceeds from issues of equity securities		-	-	29,730	30,000
Proceeds from borrowings		-	-	2,252	2,273
Repayment of Borrowings		-	-	(7,452)	(7,520)
<i>Net cash inflow from financing activities</i>		<u>-</u>	<u>-</u>	<u>24,530</u>	<u>24,753</u>
<b>Net Increase/(Decrease) in Cash Held</b>		(7,814)	(6,461)	16,990	17,367
<b>Cash At The Beginning Of The Financial Year</b>		17,369	14,837	379	381
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(313)	-	(2,911)
<b>Cash At The End Of The Financial Year</b>		<u>9,555</u>	<u>8,063</u>	<u>17,369</u>	<u>14,837</u>

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**Notes to the Consolidated Financial Statements**  
**For the Financial Year Ended 30 June 2004**

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# SCIGEN LIMITED

## APPENDIX 4E – PRELIMINARY FINAL REPORT

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### Notes to the Consolidated Financial Statements For the Financial Year Ended 30 June 2004

#### 1. Basis of Preparation

This preliminary final report has been prepared in accordance with Singapore Financial Reporting Standards.

The preliminary final report is now presented in Singapore Dollars, which is the reporting currency of the company. This change will eliminate the need for exchange rate adjustments arising from the translation of the Appendix 4E into Australian dollars. For the ease of the investors, the company will report in both Singapore and Australian dollars for this report.

##### Singapore Dollar Presentation

Transactions in foreign currencies during the financial year are converted into 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 rate of exchange prevailing at the balance sheet date. Exchange differences arising are taken into the income statements.

For the purpose of the 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 the translation of foreign subsidiaries are taken to the consolidated income statement.

##### Australian Dollar Presentation

For the purposes of presenting the financial information from local currency, being Singapore dollars to Australian dollars, the financial statements have been translated using exchange rates existing at the dates of the transactions or the average rate for the financial period for the purposes of the statements of financial performance and at year end rate for the statement of financial position.

The exchange rates used were as follows:-

	<b>AUD 1 = SGD</b>
<u>For year ended 30 June 2004</u>	
Average rate for the 12 months to 30 June 2004	1.22658
Full year end rate as at 30 June 2004	1.18500
<u>For year ended 30 June 2003</u>	
Average rate for the 12 months to 30 June 2003	1.0208
Full year end rate as at 30 June 2003	1.1707

Any differences arising from translation has been included in equity.

During the year the Company incurred operating losses and negative cash flows. Subsequent to the year end the Company has entered into discussions with a strategic investor regarding a cash investment into the Company. The potential strategic investor has completed its due diligence and positive discussions are continuing towards concluding a transaction. This will further improve the cash position of the Company and allow additional development projects to be undertaken. The cash flow position of the Company is regularly monitored by the directors and expenditure on new development projects is managed to ensure that the Company is able to meet its debts as and when they fall due.

The Company will keep the market informed of progress with this proposed transaction.

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**2. Loss From Ordinary Activities**

	<u>2004</u> <u>S\$ '000</u>	<u>2004</u> <u>A\$ '000</u>	<u>2003</u> <u>S\$ '000</u>	<u>2003</u> <u>A\$ '000</u>
Loss from ordinary activities before income tax includes the following items of revenue and expenses:				
<b>(a) Revenue</b>				
<b>Revenue from operating activities</b>				
<i>Sales of goods</i>	6,172	5,032	2,667	2,612
<b>Revenue from outside the operating activities</b>				
<i>Interest Income</i>	307	250	238	234
<i>Net foreign exchange gain</i>	-	-	706	569
<b>Revenue from ordinary activities</b>	<u>6,479</u>	<u>5,282</u>	<u>3,611</u>	<u>3,415</u>
<b>(b) Expenses</b>				
Expenses include:				
Cost of good sold	2,442	1,991	824	808
Loss on disposal of fixed assets	18	14	14	13
Bad & doubtful debts	1	1	8	7
Net foreign exchange loss	62	51	-	-

The cost of the licence rights are amortised and charged to the statement of financial performance over the estimated period of right of use, which range from 8 – 20 years.

The amortisation commences from the date the product is marketed, following the successful registration of the products in any countries according to the licence agreements.

The increase in amortisation charge over the prior year is attributable to the successful registration of SciLin in Vietnam.

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**3. Commentary on Results**

The company's activities in during the year were collaborative research & development of biotechnology derived pharmaceutical products and the registration, marketing and sales of biopharmaceutical products – namely recombinant Human Growth Hormone (Scitropin™), SciGen's 3<sup>rd</sup> generation hepatitis B vaccine (Sci-B-Vac™), recombinant Human Insulin (SciLin™) and Oxandrolone (Oxandrin™).

Revenue for the year showed an increase over the prior period due to increased sales in key areas such as Australia and Korea for Scitropin and registration and sales of Sci-B-Vac and SciLin.

Net loss was decreased by 12% on the previous period as a consequence of increasing revenues.

During the year registration of products were granted in the following regions (shown by ✓). Existing registrations are noted separately.

<b>Country</b>	<b>Scitropin</b>	<b>Sci-B-Vac</b>	<b>SciLin</b>	<b>Oxandrin</b>
Australia	Registered			
Hong Kong	Registered	Registered		
India	✓	GEAC Approval	✓*	
Korea	Registered			
Philippines	Registered	Registered		
Singapore	Registered	✓		Registered
Vietnam		Registered	✓	Registered

The net position for the full year was better than the company's internal expectations.

A more comprehensive commentary on the company's performance is shown in the ASX Announcement dated 27 August 2004 which accompanies the Appendix 4E.

\*Post balance sheet date

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**4. Intangible Assets**

	<u>2004</u> <u>S\$ '000</u>	<u>2004</u> <u>A\$ '000</u>
<u>Cost</u>		
At 1 July 2003	23,269	19,877
Additions	-	-
Effect of foreign exchange difference	-	(240)
At 30 June 2004	<u>23,269</u>	<u>19,637</u>
<u>Accumulated amortisation</u>		
At 1 July 2003	491	419
Amortisation charge	221	181
Effect of foreign exchange difference	-	1
At 30 June 2004	<u>712</u>	<u>601</u>
<u>Net Book Value</u>		
At 30 June 2004	<u>22,557</u>	<u>19,036</u>
<u>Net Book Value</u>		
At 30 June 2003	<u>22,778</u>	<u>19,458</u>

**5. Accumulated Losses**

	<u>2004</u> <u>S\$ '000</u>	<u>2004</u> <u>A\$ '000</u>	<u>2003</u> <u>S\$ '000</u>	<u>2003</u> <u>A\$ '000</u>
Balance at beginning of financial year	(17,323)	(17,499)	(12,442)	(12,718)
Net loss	(4,311)	(3,515)	(4,881)	(4,781)
Balance at end of financial year	<u>(21,634)</u>	<u>(21,014)</u>	<u>(17,323)</u>	<u>(17,499)</u>

**6. Earnings Per Share**

	<u>2004</u> <u>S¢ per share</u>	<u>2004</u> <u>A¢ per share</u>	<u>2003</u> <u>S¢ per share</u>	<u>2003</u> <u>A¢ per share</u>
Basic EPS	(1.0289)	(0.8389)	(1.3474)	(1.3200)
Diluted EPS	(1.0289)	(0.8389)	(1.3474)	(1.3200)

**7. Net Tangible Asset Per Share**

	<u>2004</u> <u>S¢ per share</u>	<u>2004</u> <u>A¢ per share</u>	<u>2003</u> <u>S¢ per share</u>	<u>2003</u> <u>A¢ per share</u>
Net tangible assets per share	2.201	1.858	3.675	2.714

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**Notes to the Consolidated Financial Statements**  
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**8. Segment Information**

**Segment Revenues**

	External Sales		Inter-Segment		Total	
	2004 S\$ '000	2003 S\$ '000	2004 S\$ '000	2003 S\$ '000	2004 S\$ '000	2003 S\$ '000
<i>Singapore</i>	379	275	1,147	771	1,526	1,046
<i>Australia</i>	2,562	1,295	-	-	2,562	1,295
<i>Korea</i>	1,438	193	-	-	1,438	193
<i>Vietnam</i>	755	406	-	-	755	406
<i>Other</i>	1,038	498	-	-	1,038	498
Total of all segments					7,319	3,438
Eliminations					(1,147)	(771)
Interest income and foreign exchange gains					307	944
Revenue from ordinary activities					6,479	3,611

	External Sales		Inter-Segment		Total	
	2004 A\$ '000	2003 A\$ '000	2004 A\$ '000	2003 A\$ '000	2004 A\$ '000	2003 A\$ '000
<i>Singapore</i>	309	269	935	756	1,244	1,025
<i>Australia</i>	2,089	1,269	-	-	2,089	1,269
<i>Korea</i>	1,173	190	-	-	1,173	190
<i>Vietnam</i>	615	397	-	-	615	397
<i>Other</i>	846	487	-	-	846	487
Total of all segments					5,967	3,368
Eliminations					(935)	(756)
Interest income and foreign exchange gains					250	803
Revenue from ordinary activities					5,282	3,415

**Segment Results**

	2004 S\$ '000	2004 A\$ '000	2003 S\$ '000	2003 A\$ '000
<i>Singapore</i>	17	13	351	344
<i>Australia</i>	692	564	229	224
<i>Korea</i>	714	582	(437)	(428)
<i>Vietnam</i>	(47)	(38)	(104)	(102)
<i>Others</i>	(447)	(364)	(471)	(462)
Total of all segments	929	757	(432)	(424)
Eliminations	-	-	-	-
Unallocated	(5,240)	(4,272)	(4,439)	(4,348)
Loss from ordinary activities before income tax expenses	(4,311)	(3,515)	(4,871)	(4,772)
Income tax expense relating to ordinary activities	-	-	(10)	(9)
Net Profit	(4,311)	(3,515)	(4,881)	(4,781)

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**Notes to the Consolidated Financial Statements**  
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**9. Other Significant Information**

Significant events occurring during the financial year were as follows:-

- (a) Renegotiation of licence for Hepatitis B Vaccine  
SciGen had renegotiated its licences for Hepatitis B Vaccine resulting in its taking over the manufacture of the vaccine, gaining new markets and the rights for the further development of the vaccine
- (b) Contract Manufacturing  
SciGen executed a contract manufacturing agreement with Shreya Biotech for a range of SciGen's biotechnology derived products. The agreement will provide a more cost effective product to support SciGen's supply to India and the rest of the Asia Pacific region.

**10. IFRS Transition**

As a Singapore incorporated entity, SciGen is required to prepare and present its statutory accounts in accordance with the Singapore Financial Reporting Standards ("FRSs"). FRSs are closely modelled after the International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. As part of this process a number of new accounting standards have been issued which will apply from 1 January 2005.

The adoption of these standards will be reflected for the year ending 30 June 2006. Major changes identified to date that will be required to the company's existing accounting policies include:

- 1. Share-based payment  
Equity-based compensation will be required to be recognised as an expense for all options and share rights granted to employees. Share options will be measured at fair value at grant date using an option pricing model.
- 2. Foreign currency (FRS 21)  
Upon adoption of IFRS the subsidiaries' balance sheet and profit and loss will be translated as following:
  - Assets, liabilities and contributed equity will be translated using closing rates at reporting date;
  - Income and expenses will be translated using the actual or average rates;
  - Retained profits will be translated at cumulative average rates; and
  - Exchange differences will be recognised as a separate component of equity.

**11. Information on Audit or Review**

This preliminary final report is based on accounts to which one of the following applies.

- |  |  |
|--|--|
| <input type="checkbox"/> The accounts have been audited.   | <input type="checkbox"/> The accounts have been subject to review.           |
| <input checked="" type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |