

**SciGen Ltd** ARBN101318852

# **Financial Report – 31 December 2009**

(In United States dollars)

## **Contents**

	<b>Page</b>
Corporate Directory	1
Directors' Report	3
Statement by Directors	21
Corporate Governance Statement	22
Independent Auditors' Report	32
Financial Report for the Year Ended 31 December 2009	34
Shareholder Information	88

**SciGen Ltd and its subsidiaries  
Corporate Directory**

**Directors**

**Non-Executive Chairman**

Ryszard Krysztof Krauze  
*Non-Executive Chairman*

**Non-Executive Chief Executive Director**

Slawomir Ziegert  
*Non-Executive Chief Executive Officer*

**Executive Directors**

Martin Cooper  
*Chief Financial Officer*

Jenny Low  
*Senior Vice President & Corporate Secretary*

**Non-Executive Directors**

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

Marian Gorecki  
*Non-Executive Director*  
*Member, Remuneration Committee*  
*Member, Audit Committee*

Mateusz Patryk Kosecki  
*Non-Executive Director*

Amol Jashvant Shah  
*Non-Executive Director*

Adam Wilczega  
*Non-Executive Director*  
*Member, Audit Committee*

Marcin Dukaczewski  
*Non-Executive Director*

Adam Polonek  
*Non-Executive Director*

Joanna Szymańska-Bulska  
*Non-Executive Director*

**Secretaries**

Lai Leng Wong

Jenny Low  
*Senior Vice President & Corporate Secretary*

**SciGen Ltd and its subsidiaries  
Corporate Directory**

<b>Principal registered office in Singapore</b>	152 Beach Road, #26-07/08 Gateway East, Singapore 189721
<b>Principal registered office in Australia</b>	Suite 1, 13B Narabang Way, Belrose, NSW 2085, Australia
<b>Share and debenture registers</b>	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
<b>Auditors</b>	KPMG LLP 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581 Partner-in-charge: Tan Huay Lim (appointed in November 2006)
<b>Solicitors</b>	Allen & Gledhill Deacons
<b>Bankers</b>	ANZ Bank, Ltd. Bank Leumi Israel Citibank, N.A. DBS Bank Ltd Kookmin Bank, Ltd. Westpac Bank HDFC Bank Bank of Communications
<b>Stock exchange listings</b>	SciGen Ltd is a public company incorporated in Singapore. Shares 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.
<b>Website address</b>	<a href="http://www.scigenltd.com">www.scigenltd.com</a>
<b>Currency</b>	The annual report is prepared in United States dollars.

## **Directors' report**

The directors present their report together with financial report of SciGen Ltd (the "Company") and its subsidiaries (together referred to as the "Group") for the financial year ended 31 December 2009.

### **Directors**

The directors in office at the date of this report are as follows:

Mr. Ryszard Krzysztof Krauze	<i>(Non-Executive Chairman, appointed 1 December 2009)</i>
Mr. Slawomir Ziegert	<i>(Non-Executive Chief Executive Officer, appointed 1 December 2009)</i>
Mr. Martin Cooper	<i>(Appointed 1 December 2009)</i>
Ms. Jenny Low	<i>(Appointed 1 December 2009)</i>
Mr. Kenneth Gross	
Mr. Adam Wilczega	
Ms. Joanna Szymańska-Bulska	
Mr. Marcin Dukaczewski	
Mr. Adam Polonek	
Dr. Marian Gorecki	
Mr. Mateusz Patryk Kosecki	<i>(Appointed 1 December 2009)</i>
Mr. Amol Jashvant Shah	<i>(Appointed 1 December 2009)</i>

### **Principal activities**

During the year, the principal activities of the Group and the Company consisted of:

- a. Business development;
- b. Collaborative research & development of biotechnology derived products;
- c. Sales, marketing and distribution;
- d. Health registration of those products; and
- e. Manufacturing - Establishment of facilities for the manufacture of Hepatitis B Vaccine and Insulin.

### **Dividends**

Due to the capital requirements and early stage growth of the Company, the Directors have not declared a dividend for the financial year ended 31 December 2009. 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 revenue and results by significant geographical segments is set out below:

	Segment revenue		Segment results	
	Year ended	Year ended	Year ended	Year ended
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore	2,208	1,027	(9)	(73)
Australia	2,064	2,702	1,631	(149)
India	2,553	4,966	(5,371)	(145)
Korea	554	1,181	(202)	(157)
Thailand	1,673	2,038	219	223
Israel	-	-	(15,038)	(152)
China	-	-	(3,612)	(813)
Others	2,199	1,946	287	227
Revenue from ordinary activities	<u>11,251</u>	<u>13,860</u>	(22,095)	(1,039)
Unallocated revenue less unallocated expenses			<u>(18,356)</u>	<u>(7,421)</u>
Loss from ordinary activities before income tax			(40,451)	(8,460)
Income tax income/(expense)			89	(24)
Net loss for the year			<u>(40,362)</u>	<u>(8,484)</u>

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

The decline in revenue was mainly attributable to lower sales in India as compared to 2008 as supply was controlled whilst SciGen negotiated payment terms with the distributor. The drop in revenue was exacerbated by a temporary disruption in sales of SciTropin™, where the Korean subsidiary faced regulatory issues. The licensing matter has since been resolved and sales of SciTropin resumed by the fourth quarter.

The increase in net loss was primarily due to additional write-down of carrying value of the facilities in Israel and India totalling US\$17.0 million coupled with write-down of HBV licence and development costs of US\$6.7 million. An amount of US\$3.5 million was written off in relation to unutilised licences relating to HGH, Alpha Interferon and GCSF; and termination benefits to a director of US\$2.7 million was provided for.

### Loss per share - Group

	Year ended 31/12/2009 US cents	Year ended 31/12/2008 US cents
Basic loss per share	<u>(6.996)</u>	<u>(1.470)</u>

### Arrangements to enable directors to acquire shares and debentures

Except as disclosed under the "Share Options" section of this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, 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 kept by the Company for the purpose of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of the director		Holdings in which the director is deemed to have an interest	
	At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
<u>Ordinary shares</u>				
<b>Holding company</b>				
<b>Bioton S.A.</b>				
Ryszard Krysztow Krauze	-	-	500,026,507	500,026,507
<u>Options to purchase ordinary shares at A\$0.05 - A\$0.20 per share</u>				
<b>The Company</b>				
Saul A. Mashaal	49,724,585	-	-	-

By virtue of Section 7 of the Act, Mr. Ryszard Krysztow Krauze is deemed to have interests in the other subsidiaries of SciGen Ltd, at the beginning, or date of appointment if later, and end of the financial year.

The above options and all rights thereto lapsed on 29 June 2009 and compensation payable to Mr. Saul A. Mashaal for the forfeiture of the options were included in the termination benefits payable to a director of US\$2.7 million.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

### **Directors' contractual benefits**

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 31 to the financial statements, since the end of the previous financial year, no director has received or become entitled to receive a benefit 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 a certain director has an employment relationship with a related party and has received remuneration in that capacity.

### **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:

<b>Date of Grant</b>	<b>Class</b>	<b>Exercise Period</b>	<b>Exercise Price (A\$)</b>	<b>Balance as at 1 January 2009</b>	<b>Number Granted</b>	<b>Options Exercised /Shares Issued</b>	<b>Options Forfeited/ Lapsed</b>	<b>Balance as at 31 December 2009</b>
15 Nov 2002	Class 8	15 Nov 2003 to 4 Oct 2012	A\$0.20	8,379,311	-	-	8,379,311	-
20 Nov 2006	Class 12	31 Dec 2009 to 31 Dec 2021	A\$0.05	41,345,274	-	-	41,345,274	-

The above Class 8 and 12 options have been forfeited during the year upon the termination of Mr. Saul A. Mashaal's employment with the Company.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

### **Significant changes in the state of affairs**

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

- a. Approval of Marketing Licence of SciLin™ in the Peoples' Republic of China ("China").

On 2 March 2009, the Company announced that it has secured the health registration and marketing authorization for the sale and distribution of recombinant human insulin, SciLin™, throughout China. This will allow its distributors, Shenzhen Meheco and Hefei Life Sciences technology ("HLST") to engage in promotional activities through other distribution partners in China. The agreement requires Shenzhen Meheco and HLST to sell the Company's recombinant human insulin on an exclusive basis during the seven years term.

b. Termination of Distribution Agreement for SciLin™ in China

On 19 May 2009, the Company announced that the agreement entered into between SciGen and Shenzhen Meheco and HLST for the sale and distribution of the Company's recombinant human insulin in China was terminated by mutual consent of both parties.

The Company is exploring other opportunities to commercialize its recombinant human insulin in China.

c. Agreement with Bayer Schering Pharma ("Bayer") in China

The Company had, on 10 July 2009, announced that together with its Polish holding company, Bioton S.A. ("Bioton"), an exclusive supply and distribution agreement has been signed with Bayer. The agreement is to realise the Group's strategic goal of expansion of the insulin franchise through alliances with blue-chip pharma companies on important global markets.

Collaboration with Bayer facilitates the availability of the Company's recombinant human insulin, SciLin™, to diabetic patients in China. Insulin is the fastest growing segment of the Chinese diabetic market in China with projected annual growth rate of more than 40%.

Following the execution of the agreement, the Company entered into profit sharing agreement with Bioton, whereby SciGen will receive a share of the revenues from the agreement with Bayer.

d. Change in appointment of Chairman and Chief Executive Officer

The Company announced that on 20 April 2009, the Board of Directors revoked, with immediate effect, Mr. Saul Mashaal's positions of Chairman of the Board ("Chairman"), Chief Executive Officer ("CEO") and Senior Advisor to the Board of SciGen Ltd. Mr. Saul Mashaal has also been revoked by the Board of Directors from all positions held in the subsidiaries and affiliates of SciGen Ltd.

In connection with the above, the Board of Directors appointed Mr. Adam Allerhand to the position of CEO and the Chairman of Scigen Ltd. Mr. Allerhand is a highly qualified manager, who has over 34 years of experience in the pharmaceutical industry and spent most of his years at GlaxoSmithKline. Mr. Allerhand has worked in many parts of the world and was previously based in UK, Singapore, Hong Kong and Poland, taking on increasingly senior position at each location.

e. Resignation of Chairman and Chief Executive Officer

On 25 November 2009, Mr. Adam Allerhand served notice of his intention to resign as Chairman and CEO of SciGen Ltd.

Mr. Allerhand, who leaves on his own accord, had agreed to assist in the handover of his duties and to stay on with the Company until 31 May 2010.

f. Changes in the Board of Directors

The following changes to the Board of Directors took effect on 1 December 2009 :

Resignation of Non-Executive Directors

Mr. Janusz Guy and Mr. Waldemar Krzewski resigned as Non-Executive Directors.

Appointment of Director and Chairman

Mr. Ryszard Krauze was re-appointed as a Director and Chairman of the Company. Mr. Krauze is the founder, key shareholder and Chairman of the Polish biotechnological company, Bioton, which is the Company's strategic investor since 2005.

#### Appointment of Chief Executive Officer and Director

The Company announced the appointment of Mr. Slawomir Ziegert as CEO and also a Director of the Company. Mr. Ziegert is the President of the Management Board and CEO of Bioton.

#### Appointment of Executive Directors

The Company announced the appointment of two Executive Directors, Mr. Martin Cooper and Ms. Jenny Low.

Mr. Martin Cooper is the Chief Financial Officer (“CFO”) of the Company, whilst Ms. Jenny Low is the Senior Vice President & Corporate Secretary of the Company.

#### Appointment of Non-Executive Directors

The Company announced the appointment of two Non-Executive Directors, Mr. Amol Shah and Mr. Mateusz Kosecki.

Mr. Amol Shah is the Managing Director of M.J. Biopharm Pvt. Ltd., an Indian based company processing a modern facility in Mumbai for the manufacturing of life saving products, including insulin.

Mr. Mateusz Kosecki is the Managing Director for Eastern Europe, Asia and Pacific region of Bioton and is responsible for the operations and business development for the region.

#### **Matters subsequent to the end of the financial year**

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 Group and of the Company for the financial year in which this report is made.

#### **Likely developments and expected results of operations**

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

- (a) The main focus of the Group for the financial year ending 31 December 2010 is to bring its facilities in Israel and China to commercial production and continue with the construction of its facility in India;
- (b) The Company will continue to register and commence commercialization of its products in the countries where the Company has rights to register, market and sell; and
- (c) The Company 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 Group and the Company 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.

#### **Going concern**

The management is responsible for preparation and fair presentation of these financial statements in accordance with provisions of the Singapore Companies Act and Singapore Financial Reporting Standards. The directors of the Company consider that it is appropriate for the financial statements to be prepared on a going concern basis as the Group and the Company will have sufficient funding to carry out its operating and investment activities based on the financial support given by the holding company.

## Information on directors

<i>Director</i>	<i>Experience</i>
<b>Mr. Ryszard K. Krauze</b> (Non-Executive Chairman) (Age 53) (appointed 1 December 2009)	<p>Ryszard Krauze is a graduate of Technical University of Gdańsk. In 1984-1986 he was employed at Centrala Handlu Zagranicznego Polservice in Warsaw. From 1987 until 1994 he was the owner and director of Innowacyjny Zakład Techniki Komputerowej Prokom, then Prokom Komputer System R. Krauze. In 1990 he founded ComputerLand Sp. z o.o. (at present ComputerLand S.A.) where he was holding the position of the president of the Managing Board since 1992 and in 1993-1994 he was the vice-president of the supervisory board of that company. Since 1990 he has been the president of the Managing Board of Prokom Software System Sp. z o.o. (at present PROKOM Investments S.A.) and in the years 1994-2007 he was the president of the Managing Board of Prokom International Sp. z o.o. (PROKOM Software S.A.). He held the position of the vice-president of the supervisory board of Wirtualna Polska S.A., Zakłady Farmaceutyczne Biolek Sp. z o.o. and Incenti, the chairman of the supervisory board of PROKOM Internet S.A., KOMA S.A. and The Polished Group S.A. Moreover, he was also holding position of the president of the Managing Board of the companies Polfruit Sp. z o.o. (until April 2006), Eurodata Sp. z o.o. (until April 2006) and Context International Textile Limited Sp. z o.o. (until May 2006).</p> <p>At present he is the Chairman of the supervisory boards of the following companies: Petrolinvest S.A., Softbank S.A., Polnord S.A., Zakłady Ogrodnicze C. Ulrich założone 1805 w Warszawie S.A. He is also the vice-chairman of the supervisory board of Fadesa PROKOM Polska Sp. z o.o., a member of the supervisory board of C2 System Polska S.A. and RUM IT S.A. He is also a member of the board of directors of the following companies: Occidental Resources, Siewiergeofizyka, Amiga Inc. and Hakia Inc.</p> <p>He is the president of the Managing Board and first honorary president of the Tennis Club Arka Sp. z o.o. Moreover, he is the president of the managing board of International Data Technology Sp. z o.o. He is a member of the Polish Business Roundtable and the vicepresident of the Polish Confederation of Employers. He also holds the function of an honorary consul of Austria and sits at the senate of The Academy of International Economic and Political Relations in Gdynia. He is also the chairman of the board of Ryszard Krauze Foundation. Since 28 March 1996 he has been the Chairman of the Supervisory Board of Bioton S.A..</p>

**Director**

**Experience**

**Mr. Slawomir Ziegert**

(Non-Executive Chief Executive Officer)  
(Age 44)  
(appointed 1 December 2009)

Slawomir Ziegert, is a medical doctor, graduate of the Medical University in Gdańsk. He has been connected with the pharmaceutical industry for over sixteen years, working in Poland and abroad for such concerns as Eli Lilly, Egis Group (a part of Servier group) and Ipsen. He has got enormous business experience covering different sectors of the pharmaceutical industry, including biotechnology, in particular business development within the scope of endocrinology and treatment of diabetes. In 1993-2004 he worked in the Polish branch of Eli Lilly, one of the world's leading pharmaceutical concerns and manufacturers of recombinant human insulin and insulin analogues, where he was responsible for the development of diabetes business, relations with the diabetes environment and governmental affairs.

In 1998-2000 he was also Eli Lilly's Country Manager in Slovakia, supervising, among others, the development of sale of insulins and antibiotics. In 2004-2005 he was CEO of Egis Pharmaceuticals (a part of Servier group) where he was responsible for the Baltic States area. In 2006-2009 he was CEO of Ipsen Poland. Working for Ipsen Poland, he was responsible for introduction of somatostatin analogue and IgF1 to the Polish market and for improvement of efficiency of marketing and sales activities. He has taken many manager courses and training abroad. He is fluent in English, Russian, German and Slovak.

Since 9 November 2009, he has been holding the position of the President of the Managing Board of Bioton and is the CEO of the Company.

**Mr. Martin Cooper**

(Age 43)  
(appointed 1 December 2009)

Martin Cooper is the Chief Financial Officer of the SciGen Group. Mr. Cooper, a British Citizen, is based in Singapore. He qualified as a Chartered Accountant in 1990 with Deloitte & Touche and has an MBA from Henley Management College, Oxford, England.

Prior to joining SciGen in October 2006, Mr. Cooper spent 6 years as the Group Finance Director ("FD") for the The Parkmead Group Plc ("Parkmead"). Parkmead is a venture capital company listed on the AIM in London. In addition to his role as FD, he was also the company secretary and was a Non-Executive Director of a number of early stage high growth businesses.

Mr. Cooper has extensive experience including restructuring private equity investments, preparation and appraisal of financial business models, restructuring of finance departments, maintaining financial controls in fast growth environments as well as substantial strategic and commercial experience.

**Director**

**Experience**

**Ms. Jenny Low**  
(Age 58)  
(appointed 1  
December 2009)

Jenny Low is the Senior Vice President & Corporate Secretary of the Company. Ms. Low, who has been with the company for over 18 years, is the longest service staff member and has been involved in many areas of the Company's operations, including the listing of the Company in ASX. Prior to her appointment as the Senior Vice President in October 2006, Ms. Low was the Chief Financial Officer of the Company.

Ms. Low, a Chartered Accountant, held senior accountancy positions in various companies in both Malaysia and Singapore. With over 30 years of accounting experience, Ms. Low is well versed with accounting practices and tax laws of the Asia-Pacific region. Before joining SciGen in September 1991, Ms. Low was with Abacus Distribution Systems Pte Ltd, a company owned jointly by the major airline companies in Asia.

**Mr. Kenneth Gross**  
(Age 80)

Kenneth Gross co-founded Goldmark Plastic Compounds in 1957. The Company has since become a major distributor of plastic raw materials within the United States. In addition, Mr. Gross holds a number of directorships in various companies involved in chemical, metals, engineering resins and lubricating oils.

**Joanna Szymańska-Bulska**  
(Age 46)

Joanna Szymańska-Bulska is the Member of the Management Board and the Foreign Markets Director of Bioton. She has over 17 years of experience in pharmaceutical industry and distribution. During her career, Ms. Szymańska-Bulska held several management and senior management positions in Ciba Geigy, Novartis, Phoenix Pharma Aktiengesellschaft, Phoenix Pharma PL ("PPP"), mainly in the field of sales and marketing. For one year, she was appointed to the position of the Advisor of the Polish Minister of Health. She has also served as Member of the Polish Pharmacy Chamber and Member of the Supervisory Board of the PKPP Pharmacy and Chemistry Chamber. Before joining Bioton, Ms. Szymańska-Bulska was a Chairman of the International Management Board and CEO of PPP for six years where she had overall responsibility for PPP.

**Mr. Adam Wilczega**  
(Age 55)

Adam Wilczega is a graduate of Warsaw School of Economics, where he obtained the title of MSc in economics. Moreover, in 1991 he completed managers training in Japan. His professional career started in 1979 at PTHZ Varimex in Warsaw where he worked as a section manager until 1984. In 1984-1989 he was employed as a director of Technical and Trade Information Centre in Cairo, Egypt. Then, in the period 1989-1991 he held the position of the Director of PTHZ Varimex in Warsaw. In 1991-1996 he was the president of the managing board of Future Trading Co. Sp. z o.o. (limited liability company) in Warsaw. He has been working in the Company since 1996, when he has become director for foreign co-operation and a Member of the Managing Board. Since 1998 he has been the president of the managing board of BIOTON TRADE Sp. z o.o. He is the a member of the board of directors of SciGen Ltd. From 1997 till 15 January 2009 he was holding the post of the President of the Managing Board. Since 15 January 2009 he has been Vice President of the Managing Board and since March 2009 he has been holding the post of Director for Foreign Markets of the Company.

**Director**

**Experience**

**Marcin  
Dukaczewski**  
(Age 31)

Marcin Dukaczewski was trained in International Political and Economical Relations at the Warsaw University. Since 2001, Mr. Dukaczewski works for the Polish private-equity fund, Prokom Investments (being the strategic investor in Bioton), where he started his career with marketing and investor relations positions and moved to business development. Mr. Dukaczewski has been involved in working for Bioton Group's strategic investments, mergers & acquisitions and IPO projects in biotechnology, IT, real-estate and oil and gas E&P. Prior to joining Prokom, Mr. Dukaczewski worked for the Foreign Investors Chamber in Poland, Metro Group and in the NGO sector.

**Adam Polonek**  
(Age 33)

Adam Polonek is a graduate of the Economic Faculty at Academy of Economics. Mr. Polonek joined Bioton in 2006 as Deputy Finance Director and since April 2009 as the Finance Director. Mr. Polonek holds also position of Deputy Finance Director of Bioton Trade Ltd and Member of the Board of BioPartners Polska Ltd, which are part of the Bioton Group.

Mr. Polonek's professional experience includes successful career in one of the leading investment bank in CEE Europe, CAIB Financial Advisers, which is part of the leading banking group Unicredit in Europe. During Mr. Polonek's career, he was involved in several Corporate Finance transactions and he has vast experience in stock exchange markets.

**Dr. Marian Gorecki**  
(Age 69)

Dr. Marian Gorecki received a PhD from the Weizmann Institute of Science and was a post graduate fellow in Biology Department at the Massachusetts Institute of Technology (MIT). In 1976, he was appointed Senior Research Scientist and Associate Professor at the Weizmann Institute, Israel. In 1980, Dr. Gorecki co-founded BioTechnology General Corp, now Savient Pharmaceuticals, Inc. He was appointed Senior Vice President, Chief Technical Officer for BTG Corp. and Managing Director for BTG (Israel). He also served as Chairman and CEO of Mediowound Ltd., a biotechnology company developing enzyme-based products in the fields of burn and wound management. He is currently Director of Mediowound Ltd., and Chairman of Thrombotech, a company developing a peptide to mitigate the side effects of standard stroke treatments and is a consultant to Clal Biotechnology. Dr. Gorecki was responsible for overseeing the clinical development, regulatory approval and commercialization of five biotechnology drugs that are currently marketed worldwide as well as two that are now in Phase III trials. Dr. Gorecki has more than 21 patents to his name and author to 73 peer-reviewed scientific articles. Dr. Gorecki is the Chairman of SciGen's Scientific Advisory Board and has been instrumental in the development of the Company's product portfolio.

***Director***

***Experience***

**Mateusz Patryk Kosecki**  
(Age 35)  
(appointed 1  
December 2009)

Mateusz Kosecki is a graduate of the Executive MBA Program of European University, Montreux, Switzerland. Mr Kosecki is the Managing Director for Eastern Europe, Asia and Pacific Region of Bioton S.A. and oversees the operations of the company in the region and is also responsible for the business development. Mr. Kosecki possesses extensive experience in international business. From 1995 to 1996 he worked as the Marketing Manager in Lenex Company in Sofia, Bulgaria. From 1997 to 2001 he was Head of Foreign Corporate Governance and Operations of Ciech S.A., the biggest Polish chemical holding company. He has been connected with pharmaceutical industry for 8 years. From 2002 to 2006, as the Country Manager for Russia of the Polish pharmaceutical company Ciech Polfa, and from 2006 to 2009 as Regional Director for Eastern Europe in Bioton S.A.

**Amol Jashvant Shah**  
(Age 44 )  
(appointed 1  
December 2009)

Amol Shah is the managing director of MJ Biopharm Pvt. Ltd., a company based in India which possesses a modern facility in Mumbai for manufacturing of life saving products including Insulin. Mr. Shah focuses on overall supervision of the company and the development of strategic business alliances. From 1990 to 1995, he worked as a Director at Anglo Gulf Limited in Dubai where he was responsible for setting up of a new facility for manufacture of pesticides in Jebel Ali, Dubai and managing of new business collaboration with multinational companies

### Information on Company Secretaries

Ms. Jenny Low was appointed to the position of company secretary in December 2006. Ms. Jenny Low previously held the role of Chief Financial Officer of the Company for 17 years.

Ms. Wong Lai Leng has been the company secretary of the Company since 2002.

### Meetings of directors

The numbers of meetings of the Company's Board of directors and of each board committee held during the financial year ended 31 December 2009, 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. Kenneth Gross	7	7	2	2	-	-
Mr. Adam Wilczega	7	7	2	2	-	-
Ms. Joanna Szymnska-Bulska	6	7	-	-	-	-
Mr. Marcin Dukaczewski	7	7	-	-	-	-
Mr. Adam Polonek	7	7	-	-	-	-
Dr. Marian Gorecki	7	7	-	-	-	-
Mr. Ryszard Krzysztof Krauze <i>(Appointed on 1 December 2009)</i>	-	-	-	-	-	-
Mr. Slawomir Ziegert <i>(Appointed on 1 December 2009)</i>	-	-	-	-	-	-
Mr. Mateusz Patryk Kosecki <i>(Appointed on 1 December 2009)</i>	-	-	-	-	-	-
Mr. Amol Jashvant Shah <i>(Appointed on 1 December 2009)</i>	-	-	-	-	-	-
Mr. Martin Cooper <i>(Appointed on 1 December 2009)</i>	-	-	-	-	-	-
Ms. Jenny Low <i>(Appointed on 1 December 2009)</i>	-	-	-	-	-	-
Mr. Saul A. Mashaal <i>(Resigned on 29 June 2009)</i>	5	5	-	-	-	-
Mr. Paul Freiman <i>(Resigned on 29 June 2009)</i>	4	5	2	2	-	-
Mr. Waldemar Krzeski <i>(Resigned on 1 December 2009)</i>	5	6	-	-	-	-
Mr. Adam Allerhand <i>(Resigned on 1 December 2009)</i>	5	5	-	-	-	-
Mr. Janusz Guy <i>(Resigned on 1 December 2009)</i>	4	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

## Key management personnels' emoluments

The Remuneration Committee, comprise the following non-executive director:

- Dr. Marian Gorecki

Following the resignation of Mr. Paul Freiman during the year, the Board is currently in the midst of reconstituting the committee to be in compliance with the Australian Stock Exchange Corporate Governance Council's (the "Council") recommendations and expect to comply with the recommendation of the Council in due course.

Executive remuneration and other terms of employment are reviewed annually by the Chief Executive Officer 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 Group and the Company's operations.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Neither options nor bonuses are payable to non-executive directors.

### Details of remunerations

Details of the remunerations of the directors and the key management personnel of the Company and the Group are set out in the following tables.

The key management personnel of the Company includes the directors as per pages 9 – 13 above and the following executive officers, which also includes the following highest paid executives of the entity:

- Saul A. Mashaal – *Chief Executive Officer (Until 29 June 2009)*
- Adam Allerhand – *Chief Executive Officer (Until 25 November 2009)*
- David M. Mashaal – *VP Corporate Business Development (Until 31 July 2009)*
- G. Balasubramaniam – *Regional Director of Sales & Marketing (Until 15 August 2009)*
- Jenny Low – *Senior Vice President & Corporate Secretary*
- Martin Cooper – *Chief Financial Officer*
- Marcus Poh – *Regional Product Manager*

The key management personnel of the Group are the directors of SciGen Ltd (see pages 9 – 13 above) and those executives that are involved in the decision making of the Company and the Group. This includes the following group executives who received the highest remuneration for the financial year ended 31 December 2009. The executives are :

- Saul A. Mashaal – *Chief Executive Officer (Until 29 June 2009)*
- Adam Allerhand – *Chief Executive Officer (Until 25 November 2009)*
- David M. Mashaal – *VP Corporate Business Development (Until 31 July 2009)*
- G. Balasubramaniam – *Regional Director of Sales & Marketing (Until 15 August 2009)*
- Jenny Low – *Senior Vice President & Corporate Secretary*
- Martin Cooper – *Chief Financial Officer*
- Yehuda Zelig – *Senior Vice President – Global Operations*
- Henry Dong-Ha Pyun – *Country Manager – South Korea*
- Jean-Claude Balducci – *Country Manager – Australia & New Zealand*
- Yaacov R. Hartman – *Director of Research & Development*

**Key management personnel of SciGen Ltd**

<i>Year ended</i> <b>31 December 2009</b>	Short-term employee benefits			Post-employment benefits		Termination benefits	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Superannuation	Retirement & Insurance benefits	Amount	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Non-executive directors</b>							
Mr. Paul Freiman <i>(Until 29 June 2009)</i>	15,000	-	-	-	-	-	15,000
Mr. Kenneth Gross	23,686	-	-	-	-	-	23,686
Dr. Marian Gorecki	60,000	-	-	-	-	-	60,000
<b>Sub-total non-executive directors</b>	<b>98,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,686</b>
<b>Executive director</b>							
Mr. Saul A. Mashaal * <i>(Until 29 June 2009)</i>	120,240	4,416	73,222	-	2,073	2,726,543	2,926,494
Mr. Adam Allerhand	121,935	45,000	46,484	163	-	-	213,582
Mr. Martin Cooper <i>(From 1 December 2009)</i>	11,291	2,024	5,638	468	-	-	19,421
Ms. Jenny Low <i>(From 1 December 2009)</i>	15,683	12,074	267	1,150	-	-	29,174
<b>Other key management personnel</b>							
Mr. David M. Mashaal <i>(Until 31 July 2009)</i>	136,996	8,971	46,300	5,894	-	109,176	307,337
Mr. Martin Cooper	103,009	-	63,106	2,993	-	-	169,108
Ms. Jenny Low	146,454	-	12,561	2,641	-	-	161,656
Dr. G. Balasubramaniam <i>(Until 15 August 2009)</i>	67,230	4,678	103	4,436	-	-	76,447
Mr. Marcus Poh	59,668	6,494	407	6,422	-	-	72,991
<b>Total</b>	<b>881,192</b>	<b>83,657</b>	<b>248,088</b>	<b>24,167</b>	<b>2,073</b>	<b>2,835,719</b>	<b>4,074,896</b>

\* Included in base salary is a consultancy fee of US\$45,787 payable to a corporation in which Mr. Saul A. Mashaal has an interest. The amount was paid for services of Mashaal Enterprises Ltd.

**Key management personnel of SciGen Ltd (continued)**

Year ended 31 December 2008	Short-term employee benefits			Post-employment benefits		Share-based payment	Total
	Cash salary and fees	Cash bonus	Non monetary benefits	Superannuation	Retirement & Insurance benefits	Options	
	US\$	US\$	US\$	US\$	US\$	US\$	
<b>Non-executive directors</b>							
Mr. Paul Freiman	30,000	-	-	-	-	-	30,000
Mr. Kenneth Gross	25,545	-	-	-	-	-	25,545
Dr. Marian Gorecki	60,000	-	-	-	-	-	60,000
<b>Sub-total non-executive directors</b>	<b>115,545</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,545</b>
<b>Executive director</b>							
Mr. Saul A. Mashaal *	395,208	25,381	206,723	-	6,840	685,414	1,319,566
<b>Other key management personnel</b>							
Mr. David M. Mashaal	224,750	15,898	99,007	7,874	-	-	347,529
Ms. Jenny Low	157,956	12,172	11,860	3,807	-	-	185,795
Mr. Martin Cooper	115,798	-	68,474	1,552	-	-	185,824
Dr. G. Balasubramaniam	107,678	15,116	7,864	7,761	-	-	138,419
Ms. Bernadette S. Lopez (Until 30 October 2008)	62,475	1,415	22,498	8	-	-	86,396
<b>Total</b>	<b>1,179,410</b>	<b>69,982</b>	<b>416,426</b>	<b>21,002</b>	<b>6,840</b>	<b>685,414</b>	<b>2,379,074</b>

\* Included in base salary is a consultancy fee of US\$151,098 payable to a corporation in which Mr. Saul A. Mashaal has an interest. The amount was paid for services of Mashaal Enterprises Ltd.

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.

**Key Management personnel of the Group**

Year ended 31 December 2009	Short-term employee benefits			Post-employment benefits		Termination benefits	Total
	Cash salary and fees	Cash bonus	Non monetary benefits	Superannuation	Retirement & Insurance benefits	Amount	
Name	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Non-executive directors</b>							
Mr. Paul Freiman (until 29 June 2009)	15,000	-	-	-	-	-	15,000
Mr. Kenneth Gross	23,686	-	-	-	-	-	23,686
Dr. Marian Gorecki	60,000	-	-	-	-	-	60,000
Mr. Clarence Cheng	1,185	-	-	-	-	-	1,185
Mr. Tim Holden	7,422	-	-	-	-	-	7,422
<b>Sub-total non-executive directors</b>	<b>107,293</b>	-	-	-	-	-	<b>107,293</b>
<b>Executive directors</b>							
Mr. Saul A. Mashaal (Until 29 June 2009)	120,240	4,416	73,222	-	2,073	2,726,543	2,926,494
Mr. Adam Allerhand	121,935	45,000	46,484	163	-	-	213,582
Mr. Martin Cooper (From 1 December 2009)	11,291	2,024	5,638	468	-	-	19,421
Ms. Jenny Low (From 1 December 2009)	15,682	12,074	267	1,150	-	-	29,174
Mr. Yehuda Zelig	230,920	-	23,634	31,544	-	-	286,098
Mr. Henry Dong-Ha Pyun	92,204	-	-	1,520	2,820	-	96,544
<b>Other key management personnel</b>							
Mr. David M. Mashaal (Until 31 July 2009)	136,996	8,971	46,300	5,894	-	109,176	307,337
Mr. Jean-Claude Balducci	177,889	6,244	-	16,572	-	-	200,705
Mr. Martin Cooper	103,009	-	63,106	2,993	-	-	169,108
Ms. Jenny Low	146,454	-	12,561	2,641	-	-	161,656
Mr. Yaacov Hartman	93,198	-	5,617	24,019	-	-	122,834
<b>Total</b>	<b>1,357,112</b>	<b>78,729</b>	<b>276,829</b>	<b>86,964</b>	<b>4,893</b>	<b>2,835,719</b>	<b>4,640,246</b>

**Key Management personnel of the Group (continued)**

<i>Year ended</i> <b>31 December 2008</b>	Short-term employee benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Superannuation	Retirement benefits	Options	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Non-executive directors</b>							
Mr. Paul Freiman	30,000	-	-	-	-	-	30,000
Mr. Kenneth Gross	25,545	-	-	-	-	-	25,545
Dr. Marian Gorecki	60,000	-	-	-	-	-	60,000
Mr. Clarence Cheng	19,049	-	-	-	-	-	19,049
Mr Tim Holden	8,275	-	-	-	-	-	8,275
<i>(From 12 March 2008)</i>							
<b>Sub-total non-executive directors</b>	<b>142,869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,869</b>
<b>Executive directors</b>							
Mr. Saul A. Mashaal	395,208	25,381	206,723	-	6,840	685,414	1,319,566
Mr. Yehuda Zelig	238,094	-	29,019	30,135	-	-	297,248
Mr. Henry Dong-Ha Pyun	105,097	-	9,669	1,740	2,351	-	118,857
Mr. Peter J. Clark	25,664	-	-	13,436	-	-	39,100
<i>(Until 7 March 2008)</i>							
<b>Other key management personnel</b>							
Mr. David M. Mashaal	224,750	15,898	99,007	7,874	-	-	347,529
Ms. Jenny Low	157,956	12,172	11,860	3,807	-	-	185,795
Mr. Martin Cooper	115,798	-	68,474	1,552	-	-	185,824
Mr. Yaacov Hartman	112,835	-	3,567	26,877	-	-	143,279
Dr. G. Balasubramaniam	107,678	15,116	7,864	7,761	-	-	138,419
<b>Total</b>	<b>1,625,949</b>	<b>68,567</b>	<b>436,183</b>	<b>93,182</b>	<b>9,191</b>	<b>685,414</b>	<b>2,918,486</b>

“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.

### **Insurance of officers**

During the financial year, the Company paid a premium of US\$18,036 to insure the directors and officers of the Company and its controlled entities, and the managers of each of the divisions of the Group and the Company.

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 Group and the Company, 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**

KPMG LLP have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

**Slawomir Ziegert**  
Chief Executive Officer & Director

**Kenneth Gross**  
Non-Executive Director

**Singapore**  
**30 March 2010**

## **Statement by Directors**

In the opinion of the directors,

- (a) the financial statements set out on pages 34 to 87 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity and cash flow of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, having regard to the financial support provided by the holding company, and further explanations as described in Note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due, notwithstanding the current year net loss and the net current liabilities position.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

**Slawomir Ziegert**  
Chief Executive Officer & Director

**Kenneth Gross**  
Non-Executive Director

**Singapore**  
**30 March 2010**

## **Corporate Governance Statement**

SciGen Ltd (the “Company” or “SciGen”) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company’s corporate governance framework is largely consistent with the Best Practice recommendations released by the Australian Stock Exchange Corporate Governance Council (the “Council”) when taking into account the size and scope of the company. 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**

ASX recommends establishing and disclosing the respective roles and responsibilities of the Board and management. The Company had addressed these recommendations as noted below -

##### **1.1 Establish the functions reserved to the Board and those delegated to Senior Executives**

The relationship between the Board and senior executives 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 Chief Executive Officer (“CEO”) and senior executives. Responsibilities are delineated by formal authority delegation.

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.

#### **Roles of the Chairman and CEO**

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

#### **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) appointing and removing the chief executive officer;
  - (3) where appropriate, approving the appointment and the removal of senior executives;

- (4) monitoring the implementation of these objectives, strategies and long-term plans to ensure SciGen, to the best of its ability, delivers shareholder value;
  - (5) approval and monitoring the progress of major capital expenditure, acquisitions and disposals;
  - (6) monitoring SciGen's overall performance and financial results, including adopting annual budgets and approving SciGen's financial statements;
  - (7) ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
  - (8) selecting and reviewing the performance of the CEO and reviewing the performance of senior operating management;
  - (9) ensuring significant business risks are identified and appropriately managed;
  - (10) ensuring that SciGen meets the statutory, regulatory and reporting requirements of the ASX and requirements under Australia and Singapore corporations law;
  - (11) ensuring that SciGen, its Directors, officers, employees and associates are aware of and comply with all relevant laws and regulations;
  - (12) reporting to shareholders on performance;
  - (13) deciding the payment of dividends to shareholders; and
  - (14) reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance.
- (c) The Board consists of the Chairman, two executive directors, and nine other non-executive Directors. The term of Directors' appointments is governed by SciGen's Constitution. At least one third of Directors must retire and seek re-election at each Annual General Meeting of SciGen. Mr. Kenneth Gross having attained the age of 70 years, is required to seek re-election annually, under the provision of the Singapore Companies Act.
- (d) The Board has established an Audit Committee, a Remuneration Committee and a Scientific Advisory Board. From time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues.

1.2 Process for evaluating the performance of senior executives

The evaluation of the performance of senior executives by way of annual appraisals are conducted annually the respective supervisors and reported to the CEO.

**Principle 2**

**Structure the Board to add value**

ASX recommends having a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. The Company had addressed these recommendations as noted below:

## 2.1 A majority of the Board should be independent Directors

### **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". At the date of this report, the Board comprises twelve (12) Directors, two (2) being executive Directors and ten (10) being non-executive Directors. Of the ten (10) non-executive directors, two (2) of whom are deemed independent under the principles set out in the Guidelines.

### **Directors' independence**

The Board does not comprise of a majority of independent directors. The non-independent directors are all nominees of Bioton S.A., holder of 90.54% of the Company. The non-independent directors have the relevant expertise in the corporate finance, manufacture and world-wide sales & marketing of the product. Whilst this is a departure from the recommendation, the Board believes that the composition of the Board currently brings the right mix of complementary skills, experience and representation for the Company and its shareholders at this point in its life.

The independent directors as of the date of this report are:

- Mr. Kenneth Gross
- Dr Marian Gorecki

### **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. Matters requiring professional independent advice are tabled and discussed at board meetings.

### **Commitment**

The number of meetings of the Company's Board of directors and of each board committee held during the year ended 31 December 2009, and the number of meetings attended by each director is disclosed on page 14. It is the Company's practice to allow its executive directors to accept appointments outside the company with prior written approval of the Chairman.

### **Conflict of interests**

Entities connected with Mr. Kenneth Gross, Mr. Ryszard K. Krauze, Mr. Adam Wilczega, Dr Marian Gorecki, Mr. Marcin Dukaczewski, Mr. Adam Polonek, Ms. Joanna Szymanska-Bulska, Mr. Slawomir Ziegert, Mr. Mateusz Kosecki and Mr. Amol Shah had business dealings with the Group and the Company during the year, as described in note 31 to the financial statements. In accordance with the Board charter, the directors concerned declare their interests in those dealings to the Company and take no part in decisions relating to them or the preceding discussions.

### **Performance assessment**

It is intended that the Board may undertake an annual self-assessment of its collective performance. The process may be facilitated by an independent third party. In addition, each board committee may undertake an annual self assessment on the performance of the committee and achievement of committee objectives.

The Chairman intends when possible to annually assess the performance of individual directors and meet privately with each director and senior executives to discuss this assessment. The Chairman's performance may be reviewed by the Board.

Each year's budget provides for training and education of staff, both internally and externally.

**2.2 The Chair should be an independent Director**

Mr. Ryszard Krauze, Chairman of the Board is not an independent director under the principles set out in the Guidelines. Whilst this is a departure from the recommendation, the appointment of Mr. Krauze, who is on the Supervisory Board of Bioton S.A., holder of 90.54% of the Company, is vital at this point in time as Mr. Krauze is well positioned to take an active and effective role to oversee and expedite the restructure, formulate objectives, strategies and long-term plans of the Company.

**2.3 The roles of the Chair and Chief Executive Officer should not be exercised by the same individual**

The Chairman of the Company is Mr. Ryszard Krauze and the Chief Executive Officer is Mr. Slawomir Ziegert.

**2.4 The Board should establish a Nomination Committee**

The Company does not have a formally constituted Nomination Committee given the early stage of the Company's development and the complete nature of the Board composition currently. The Board is of the opinion that there would be no efficiencies to be gained in establishing a separate Nomination Committee. The function of reviewing the competencies of directors, appoint and re-appointment of directors, review of board succession and evaluation of the performances of the board and committees is undertaken by the full Board. At such time when the company is well established, a Nomination Committee will be formed and the Board restructured.

**2.5 Process for evaluating the performance of the Board, its Committees and individual Directors**

The Chairman of the Board is responsible for evaluating Board and individual directors performance annually. To-date, there is no review of the Board and individual directors. Mr. Krauze having taken over the role of Chairman as of 1 December 2009, will undertake a review of performances in the second half of 2010.

**Induction and education**

Induction procedures have not been required as all recently appointed directors have been involved with the industry and or with the Company prior to their appointment as directors.

**Access to information**

The Board is provided access to all documents and information it needs in order to discharge its responsibilities effectively. As directed by the Board, senior executives furnish the board with monthly, quarterly and ad hoc reports on the operations.

**The Board and the Company Secretary**

The Company Secretary supports the Board by monitoring the Board policy and ensuring that the procedures are followed. The Company Secretary coordinates the completion and despatch of board agenda. The Company Secretary also advises the Board on corporate governance matters.

**Principle 3**

**Promote ethical and responsible decision-making**

ASX recommends that the company should actively promote ethical and responsible decision-making. The Company had addressed these recommendations as noted below:

3.1 Establish and Disclosure of a Code of Conduct

The Company has developed a Code of Conduct (the “Code”) which has been reviewed by the Board and will apply to all Directors and employees. 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 Company is in the process of reviewing the current policies of the Code of Conduct to include the reporting and investigation of unethical practices. Although the process is not included in the current Code of Conduct, to date, all reports of unethical practices received have been taken seriously by the Board and investigated and action taken if required.

3.2 Policy concerning trading in the Company’s securities

The purchase and sale of the Company securities by Directors and employees is only permitted during the sixty day period following the release of the half-yearly and annual financial results to the market and sixty day period following the Annual General Meeting. Any transactions undertaken must be notified to the Company Secretary in advance.

**Principle 4**

**Safeguard integrity in financial reporting**

ASX recommends that the Company should have a structure to independently verify and safeguard the integrity of their financial reporting. The Company had addressed these recommendations as noted below:

4.1 The Board should establish an Audit Committee

The Board has established an Audit Committee to assist in the execution of its duties and to allow detailed consideration of complex issues. Matters determined by the Audit Committee are submitted to the Board as recommendations for board decision, as required unless the Board has delegated the authority for a decision to the appropriate committee.

Minutes of Audit Committee meetings are tabled at subsequent board meetings.

4.2 Structure of the Audit Committee

The Audit Committee comprises 3 members:

- Mr. Kenneth Gross (Chairman) (Independent director)
- Dr. Marian Gorecki (Independent director) – *Appointed 29 June 2009*
- Mr. Adam Wilczega (Non-independent director)

The Chairman of the Audit Committee is an independent director. The majority of the committee are independent as defined by the Corporate Governance Council Guidelines.

Details of these directors’ qualification, expertise, experience and attendance at Audit Committee meetings are set out in the directors’ report on pages 9 to 14.

4.3 Charter

The Audit Committee does not have a formal Charter. The Audit Committee is of the opinion that as the Company is in the capital investment stage of its development where most of the transactions are by way of turn key projects, a formal Charter may be not be adequate and effective. At such time when the Company's manufacturing facilities are operational and established, a formal Charter will be prepared to set out the role and responsibilities and procedures of the Audit committee.

The Audit Committee meets at least 2 times in a year.

The CEO, Chief Financial Officer ("CFO") and external auditors are invited to attend Audit Committee Meetings at the discretion of the Audit Committee. Time is allocated for the Audit Committee to meet with the external auditors without management being present.

The responsibilities of the Audit Committee are to:

- (a) assist the Board to discharge fiduciary responsibilities with regard to the Company'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 the Company's CFO;
- (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 the Company and to review the Company's risk management policies and internal control processes;
- (e) review and recommend to the Board the adoption of the Company'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.

**External auditors**

The Company's and Audit Committee's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually, taking into consideration assessment of performance and existing value. KPMG LLP were appointed as the external auditors in November 2006.

During the financial year, the external auditors did not render any non-audit services to the Group. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

**Principle 5**

**Make timely and balanced disclosure**

ASX recommends that the Company should promote timely and balanced disclosure of all material matters concerning the Company. The Company had addressed these recommendations as noted below:

*5.1 Establish written policies to ensure compliance with ASX Listing Rule*

Disclosure requirement

All announcements made are reviewed and approved by the Board prior to the release to the market. The CEO, CFO and Senior Vice President & Corporate Secretary have been nominated as the persons 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 Corporate Secretary advises the Board on ASX Listing Rules and Guidance Recommendations matters.

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 website 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 website.

All shareholders receives 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 announcements of the Company, media briefings, details of the Company’s meetings, press releases and financial reports are available on the Company’s website [www.scigenltd.com](http://www.scigenltd.com).

The website also includes a feedback mechanism and an option for shareholders to register their e-mail address for e-mail updates of the Company’s matters.

**Principle 6**

**Respect the rights of shareholders**

ASX recommends that the Company should respect the rights of shareholders and facilitate the effective exercise of those rights. The Company had addressed these recommendations as noted below:

6.1 Communications Policy

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 e-mail the Company and receive updates or answers to specific questions where appropriate.

In terms of external audit, a formal invitation has been extended by the Board to the audit partner at KPMG LLP to attend the Annual General Meeting of the Company and through the Chairman, will be available to answer questions relating to the conduct of the audit.

## **Principle 7**

### **Recognise and manage risk**

ASX recommends that the Company establish a sound system of risk oversight and management and internal control. The Company had addressed these recommendations as noted below:

#### **7.1 Policies for oversight and management of material business risks**

The Company 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. This will continue to be reviewed and enhanced.

In addition, the Company 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 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 the Company employs staff are responsible for conforming to 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 the Board as appropriate.

#### **7.2 Risk Management and internal control system**

##### **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's 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.

##### **Internal Audit**

Given the present size of the Company, the Board does not employ an internal auditor.

### 7.3 Assurances from CEO and CFO

#### **Corporate reporting**

The CEO and CFO have made the following certifications in writing 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 Group and Company and are in accordance with relevant accounting standards; and
- that the above statements are founded on a sound system of risk management and internal compliance and control and which implement the policies adopted and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material aspects.

### **Principle 8**

#### **Remunerate fairly and responsibly**

ASX recommends that the Company should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. The Company had addressed these recommendations as noted below:

#### 8.1 Remuneration Committee

The Remuneration Committee currently consists of the following non-executive directors:

Dr. Marian Gorecki (Chairman)

Mr. Ryszard Krauze

The Remuneration Committee should comprise entirely of non-executive directors and be chaired by an independent Director.

Until now, the Remuneration Committee was responsible mainly for the review and recommendation of the remuneration of the CEO. Given the size of the Company and the only function of the Remuneration Committee, there is no formal charter for the role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The Remuneration Committee is in the process of reviewing the scope of the Remuneration Committee and will be preparing a formal Charter and when adopted, it will be made available on the Company's website.

Matters determined by the Remuneration Committee are submitted to the Board as recommendations for board decision, as required unless the Board has delegated the authority for a decision to the appropriate committee.

Details of these directors' qualifications, experience and attendance at Remuneration Committee meetings are set out in the directors' report on pages 9 to 14. During the year, the Remuneration Committee did not meet.

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 and non-executive directors.

Further information on directors' remuneration is set out in the directors' report and note 31 to the financial statements.

8.2 Distinguish the structure of non-executive Director's remuneration from that of executives

Current remuneration packages of executive directors and senior executives include a balance between fixed and incentive pay. The incentives are payable upon achievement of certain short term and long term objectives. Non-executive directors, if paid, receive a fixed fee.

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

The Audit Committee and the Board will review the term of any proposed scheme for the retirement benefits, other than the statutory superannuation, for non-executive directors.

## **Independent auditors' report**

Members of the Company  
**SciGen Ltd**

We have audited the accompanying financial statements of SciGen Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 87.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

### *Auditors' responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

*Opinion*

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**KPMG LLP**  
*Public Accountants and  
Certified Public Accountants*

**Singapore**  
**30 March 2010**

**Balance sheets**  
**As at 31 December 2009**

	Note	Group		Company	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>Non-current assets</b>					
Property, plant and equipment	5	37,355	49,119	93	197
Intangible assets	6	20,508	29,827	20,303	29,710
Lease prepayments	7	362	1,299	–	–
Investment property	8	245	249	–	–
Long-term prepayments		–	226	–	193
Subsidiaries	9	–	–	43,243	50,438
Deferred tax assets		12	12	–	–
		<u>58,482</u>	<u>80,732</u>	<u>63,639</u>	<u>80,538</u>
<b>Current assets</b>					
Inventories	10	2,636	1,260	130	96
Trade and other receivables	11	4,165	7,598	4,411	6,614
Cash and cash equivalents	12	4,889	6,092	1,127	357
Assets classified as held for sale	13	1,051	–	–	–
		<u>12,741</u>	<u>14,950</u>	<u>5,668</u>	<u>7,067</u>
<b>Total assets</b>		<u>71,223</u>	<u>95,682</u>	<u>69,307</u>	<u>87,605</u>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	14	42,530	42,530	42,530	42,530
Reserves	15	(1,051)	(1,700)	–	1,600
Accumulated losses		(71,388)	(34,351)	(65,338)	(36,331)
		<u>(29,909)</u>	<u>6,479</u>	<u>(22,808)</u>	<u>7,799</u>
<b>Minority interest</b>		<u>4,220</u>	<u>5,808</u>	<u>–</u>	<u>–</u>
<b>Total equity</b>		<u>(25,689)</u>	<u>12,287</u>	<u>(22,808)</u>	<u>7,799</u>
<b>Non-current liabilities</b>					
Trade and other payables	18	6,022	4,683	6,022	4,683
Loans and borrowings	17	71,144	61,767	71,127	61,643
		<u>77,166</u>	<u>66,450</u>	<u>77,149</u>	<u>66,326</u>
<b>Current liabilities</b>					
Trade and other payables	18	19,691	16,812	14,966	13,480
Loans and borrowings	17	–	7	–	–
Current tax payable		55	126	–	–
		<u>19,746</u>	<u>16,945</u>	<u>14,966</u>	<u>13,480</u>
<b>Total liabilities</b>		<u>96,912</u>	<u>83,395</u>	<u>92,115</u>	<u>79,806</u>
<b>Total equity and liabilities</b>		<u>71,223</u>	<u>95,682</u>	<u>69,307</u>	<u>87,605</u>

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

**Consolidated statement of comprehensive income**  
**Year ended 31 December 2009**

	Note	2009 US\$'000	2008 US\$'000
Revenue	19	11,251	13,860
Other operating income	20	251	116
Changes in inventories of finished goods		1,145	(1,142)
Purchases		(6,058)	(6,054)
Staff costs		(7,186)	(4,695)
Amortisation of intangible assets		(282)	(143)
Amortisation of lease prepayments		(46)	(46)
Depreciation of investment property		(30)	(8)
Depreciation of property, plant and equipment		(710)	(269)
Impairment loss on property, plant and equipment		(18,376)	–
Impairment loss on intangible assets		(6,842)	–
Impairment loss on leasehold prepayment		–	–
Write-off of property, plant and equipment		(1,960)	–
Write-off of intangible assets		(3,479)	–
Other operating expenses	21	(7,219)	(6,827)
<b>Loss from operating activities</b>		(39,541)	(5,208)
Finance income		535	439
Finance cost		(1,445)	(3,691)
<b>Net finance expense</b>	22	(910)	(3,252)
<b>Loss from operating activities before income tax</b>	23	(40,451)	(8,460)
Income tax expense	25	89	(24)
<b>Net loss for the year</b>		(40,362)	(8,484)
<b>Other comprehensive income/(loss)</b>			
Foreign currency translation differences for foreign operations		2,249	(3,489)
<b>Other comprehensive income/(loss) for the year, net of income tax*</b>		2,249	(3,489)
<b>Total comprehensive loss for the year</b>		(38,113)	(11,973)
<b>Loss attributable to:</b>			
Equity holders of the Company		(38,637)	(8,102)
Minority interests		(1,725)	(382)
<b>Loss for the year</b>		(40,362)	(8,484)
<b>Attributable to:</b>			
Owners of the Company		(36,388)	(11,619)
Minority interests		(1,725)	(354)
<b>Total comprehensive loss for the year</b>		(38,113)	(11,973)
<b>Loss per share</b>			
Basic loss per share (cents)	26	(6.996)	(1.470)

\* There was no tax effect on the component included in other comprehensive loss.

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

**Consolidated statement of changes in equity**  
**Year ended 31 December 2009**

<b>Group</b>	<b>Share capital US\$'000</b>	<b>Foreign currency translation reserve US\$'000</b>	<b>Share option reserve US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Total attributable to equity holders of the Company US\$'000</b>	<b>Minority interest US\$'000</b>	<b>Total equity US\$'000</b>
<b>At 1 January 2008</b>	42,530	217	914	(26,249)	17,412	3,166	20,578
<b>Total comprehensive loss for the year</b>							
Loss for the year	–	–	–	(8,102)	(8,102)	(382)	(8,484)
<i>Other comprehensive loss</i>							
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations / Total other comprehensive loss	–	(3,517)	–	–	(3,517)	28	(3,489)
<b>Total comprehensive loss for the year</b>	–	(3,517)	–	(8,102)	(11,619)	(354)	(11,973)
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by owners</i>							
Contribution by minority shareholders of a subsidiary	–	–	–	–	–	2,996	2,996
Share-based payment	–	–	686	–	686	–	686
<b>Total transactions with owners</b>	–	–	686	–	686	2,996	3,682
<b>At 31 December 2008</b>	<b>42,530</b>	<b>(3,300)</b>	<b>1,600</b>	<b>(34,351)</b>	<b>6,479</b>	<b>5,808</b>	<b>12,287</b>

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

**Consolidated statement of changes in equity**  
**Year ended 31 December 2009**

<b>Group</b>	<b>Share capital US\$'000</b>	<b>Foreign currency translation reserve US\$'000</b>	<b>Share option reserve US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Total attributable to equity holders of the Company US\$'000</b>	<b>Minority interest US\$'000</b>	<b>Total equity US\$'000</b>
<b>At 1 January 2009</b>	42,530	(3,300)	1,600	(34,351)	6,479	5,808	12,287
<b>Total comprehensive loss for the year</b>							
Loss for the year	–	–	–	(38,637)	(38,637)	(1,725)	(40,362)
<i>Other comprehensive loss</i>							
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations / Total other comprehensive income	–	2,249	–	–	2,249	–	2,249
<b>Total comprehensive loss for the year</b>	–	2,249	–	(38,637)	(36,388)	(1,725)	(38,113)
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by owners</i>							
Contribution by minority shareholders of a subsidiary	–	–	–	–	–	138	138
Cancellation of share options	–	–	(1,600)	1,600	–	–	–
<b>Total transactions with owners</b>	–	–	–	–	–	138	138
<b>At 31 December 2009</b>	<b>42,530</b>	<b>(1,051)</b>	<b>–</b>	<b>(71,388)</b>	<b>(29,909)</b>	<b>4,221</b>	<b>(25,688)</b>

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

**Consolidated cash flow statement**  
**Year ended 31 December 2009**

	Note	2009 US\$'000	2008 US\$'000
<b>Operating activities</b>			
Loss for the year		(40,362)	(8,484)
<b>Adjustments for:</b>			
Amortisation of intangible assets		282	143
Amortisation of lease prepayments		46	46
Depreciation of investment property		30	8
Depreciation of property, plant and equipment		710	269
Equity-settled share-based payment transactions		–	686
Income tax expense		(89)	24
Interest expenses		1,445	2,766
Interest income		(22)	(439)
Impairment loss on property, plant and equipment		18,376	–
Impairment loss on intangible assets		6,842	–
Loss on disposal of property, plant and equipment		–	19
Write-off of property, plant and equipment		1,960	–
Write-off of intangible assets		3,479	–
<b>Operating loss before changes in working capital</b>		<b>(7,303)</b>	<b>(4,962)</b>
Changes in working capital:			
Inventories		(1,376)	253
Trade and other receivables		3,658	(2,650)
Trade and other payables		4,194	7,632
Cash (used in)/generated from operations		(827)	273
Income taxes paid		–	(18)
<b>Cash flows from operating activities</b>		<b>(827)</b>	<b>255</b>
<b>Investing activities</b>			
Interest received		22	135
Purchase of property, plant and equipment		(8,356)	(2,713)
Purchase of intangible assets		(1,284)	(17,198)
<b>Cash flows from investing activities</b>		<b>(9,618)</b>	<b>(19,776)</b>
<b>Financing activities</b>			
Capital contribution by minority shareholders of a subsidiary		138	2,996
Interest paid		(18)	(46)
Loans from holding company		9,500	17,976
Repayment of bank loans		(132)	(10)
<b>Cash flows from financing activities</b>		<b>9,488</b>	<b>20,916</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(957)</b>	<b>1,395</b>
Cash and cash equivalents at beginning of year		6,092	4,912
Effect of exchange rate fluctuations on cash held		(246)	(215)
<b>Cash and cash equivalents at end of year</b>	12	<b>4,889</b>	<b>6,092</b>

During the year, the Group acquired property, plant and equipment with an aggregate cost of US\$8,435,000 (2008: US\$18,111,000), of which US\$79,000 (2008: US\$913,000) was not yet paid as at 31 December 2009. The Group also acquired intangible assets with an aggregate cost of US\$1,284,000 (2008: US\$4,434,000), of which US\$Nil (2008: US\$1,721,000) was not yet paid as at 31 December 2009. The unpaid balances for property, plant and equipment and intangible assets are included in trade and other payables (see note 18).

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

## **Notes to the financial statements**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2010.

### **1 Domicile and activities**

SciGen Ltd (the “Company”) is incorporated in the Republic of Singapore and has its registered office at 152 Beach Road, #26-07/08 Gateway East, Singapore 189721.

The principal activities of the Group and Company are those relating to the manufacture and distribution of biopharmaceutical products under exclusive licensing arrangements.

The immediate and ultimate holding company is Bioton S.A., a company incorporated in Poland.

The consolidated financial statements as at and for the financial year ended 31 December 2009 relate to the Company and its subsidiaries (together referred to as the “Group”).

### **2 Going concern**

The Group incurred a comprehensive loss of US\$40,362,000 (31/12/2008: US\$8,484,000) for the financial year ended 31 December 2009; and as of that date, the Group and the Company had net current liabilities of US\$7,005,000 and US\$9,298,000 respectively.

Notwithstanding the above, the directors are of the opinion that the Group and the Company are able to meet its obligations as and when they fall due having regard to the undertaking from the holding company, Bioton S.A., to continue to provide the Group and the Company with financial and other support as is necessary for the Group and the Company to continue as a going concern and to support their operating and investing activities for the next twelve months.

The holding company has also undertaken that it will not demand for settlement of the loans (including interest payable) granted to the Company of US\$77,149,000, within the next twelve months, which are due for repayment on 31 December 2011.

Accordingly, the financial statements are prepared as a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

### **3 Basis of preparation**

#### **3.1 Statement of compliance**

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

### 3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value through profit or loss.

### 3.3 Functional and presentation currency

These financial statements are presented in United States dollars, which is the Company's functional currency. All financial information presented in United States dollars has been rounded to the nearest thousand, unless otherwise stated.

### 3.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements and that have a significant risk of resulting in a material adjustment within the next financial year are described in the following notes:

- Note 5 – impairment and depreciation of property, plant and equipment;
- Note 6 – assumptions of recoverable amounts relating to intangible assets;
- Note 9 – assumptions of recoverable amounts relating to investments in subsidiaries;
- Note 11 – assessment of recoverability of trade receivables; and
- Note 25 – estimation of provisions for current and deferred taxation.

### 3.5 Changes in accounting policies

#### *Overview*

Starting as of 1 January 2009 on adoption of new/revised FRSs, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statements
- Disclosure of contractual maturity analysis

### ***Determination and presentation of operating segments***

As of 1 January 2009, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (“CEO”), who is the Group’s chief operating decision maker. This change in accounting policy is due to the adoption of FRS 108 *Operating Segments*. Previously, operating segments were determined and presented in accordance with FRS 14 *Segment Reporting*. The new accounting policy in respect of operating segment disclosure is presented as follows.

Comparative segment information has been represented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. An operating segment’s operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company’s headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### ***Presentation of financial statements***

The Group applies revised FRS 1 *Presentation of Financial Statements* (2008), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been represented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on loss per share.

### ***Disclosure of contractual maturity analysis***

The Group applies the amendments to FRS 107 *Financial Instruments: Disclosures*, which became effective as of 1 January 2009. As a result, the Group discloses the maximum amount of issued financial guarantees in the earliest time period for which the guarantees could be called upon in the contractual maturity analysis. Previously, the Group disclosed the maximum amount of issued financial guarantees in the contractual maturity analysis only if the Group assessed that it is probable that the guarantee would be called upon.

FRS 107 does not require comparative information to be restated and therefore, the contractual maturity analysis for the comparative period has not been represented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on loss per share.

## **4 Summary of significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 3.5, which addresses changes in accounting policies.

### **4.1 Basis of consolidation**

#### ***Business combinations***

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the profit or loss in the period of the acquisition.

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

#### ***Acquisitions from entities under common control***

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any difference between the cash paid for the acquisition and net assets acquired is recognised directly in equity.

#### ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### ***Accounting for subsidiaries by the Company***

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

## 4.2 Foreign currencies

### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. The functional currencies of the Group entities are mainly the Korean won, Indian rupees, New Israeli shekels, Australian dollars and the Chinese renminbi. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

## 4.3 Property, plant and equipment

### ***Recognition and measurement***

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### ***Reclassification to investment property***

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

#### ***Subsequent costs***

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

#### ***Depreciation***

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

No depreciation is provided on assets under construction. Depreciation on other property, plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold building	40 years
Leasehold land	Over the lease term of 95 years
Plant and machinery	5 years
Office furniture and fittings	5 to 10 years
Office equipment	3 to 5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end, and adjusted if appropriate.

#### 4.4 Intangible assets

##### ***Goodwill***

###### *Acquisitions on or after 1 January 2005*

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets acquired and, liabilities assumed and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 4.9. Negative goodwill is recognised immediately in profit or loss.

##### ***Licences***

Licences that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. 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.

##### ***Research and development costs***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense when it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the products or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs, clinical trials and regulatory compliance costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

##### ***Other intangible assets***

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

##### ***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

### **Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

Licences	8 to 20 years
Acquired software	3 years
Capitalised development costs	10 to 20 years

#### 4.5 Investment property

Investment property is property held either to earn rental income or capital appreciation or both. It does not include property for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes.

Investment property is measured at cost less accumulated depreciation and impairment losses. Depreciation on investment property is recognised in profit or loss on a straight-line basis over their estimated useful lives of 40 years. Rental income from investment property is accounted for in the manner described in note 4.13.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### 4.6 Financial instruments

##### ***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group only has loans and receivables as its non-derivative financial assets.

##### ***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

### *Inter-company loans*

#### **Loans to subsidiaries**

In the Company's financial statements, low-interest and interest-free inter-company loans to subsidiaries are recognised initially at fair value. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries in the Company's financial statements. Subsequent to initial recognition, these loans are measured at amortised cost less accumulated impairment losses. The unwinding of the difference is recognised as interest income in the Company's profit or loss over the expected repayment period of the loans using the effective interest rate method.

#### **Loans from holding company**

In the Company's financial statements, low-interest and interest-free inter-company loans from holding company are recognised initially at fair value. The difference between the fair value and the loan amount at inception is recognised as distributions from subsidiaries in the Company's financial statements. Subsequent to initial recognition, these loans are measured at amortised cost. The unwinding of the difference is recognised as interest expense in the Company's in profit or loss over the expected repayment period of the loans using the effective interest rate method.

Cash and cash equivalents comprise cash balances and bank deposits.

### *Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

### *Share capital*

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### 4.7 Leased assets

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is stated at cost less accumulated depreciation and accumulated impairment losses. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Other leases are operating leases and, except for investment properties, the leased assets are not recognised in the Group's balance sheet. Investment properties held under an operating lease is recognised in the Group's balance sheet at fair value.

#### 4.8 Inventories

##### ***Inventories held for trading***

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### 4.9 Impairment

##### ***Financial assets (including receivables)***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### ***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than inventories, investment properties and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 4.10 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

#### 4.11 Employee benefits

##### ***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

##### ***Short-term benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### ***Share-based payments***

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each reporting date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

#### 4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discounts is recognised as a finance cost.

#### 4.13 Revenue recognition

##### ***Goods sold***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates, duties and taxes paid. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. For sales on consignment, the revenue is recognised when the products are delivered by the distributors to their customers.

##### ***Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

#### 4.14 Government grants

##### ***Jobs credit scheme***

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

#### 4.15 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between finance expense and reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### 4.16 Finance income and finance costs

Finance income comprises interest income on funds invested and net foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and net foreign currency losses that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest rate method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

#### 4.17 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 4.18 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### 4.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### 4.20 New standards and interpretations not yet adopted

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the reporting date but are not yet effective:

- Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- FRS 103 (revised) *Business Combinations* and FRS 27 (revised) *Separate and Consolidated Financial Statements*
- Improvements to FRSs 2009
- INT FRS 117 *Distributions of Non-cash Assets to Owners*

The initial application of these standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the reporting date.

## 5 Property, plant and equipment

Group	Note	Land and buildings US\$'000	Plant and machinery US\$'000	Office furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicle US\$'000	Construction in progress US\$'000	Total US\$'000
<b>Cost</b>								
At 1 January 2008		4,430	2,983	4,258	736	232	23,919	36,558
Additions		–	235	585	126	–	17,165	18,111
Disposals		–	–	(21)	(4)	–	(1)	(26)
Translation differences		(335)	(170)	(7)	(42)	(8)	(4,391)	(4,953)
At 31 December 2008		4,095	3,048	4,815	816	224	36,692	49,690
Additions		17	35	631	42	47	7,663	8,435
Write-offs		–	(12)	(82)	(55)	(51)	(1,850)	(2,050)
Transfer to non-current assets held for sale	13	–	–	–	–	–	(1,450)	(1,450)
Translation differences		74	35	11	24	3	772	919
At 31 December 2009		4,186	3,106	5,375	827	223	41,827	55,544

Note	Land and buildings US\$'000	Plant and machinery US\$'000	Office furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicle US\$'000	Construction in progress US\$'000	Total US\$'000
<b>Accumulated depreciation &amp; impairment losses</b>							
At 1 January 2008	32	101	43	157	37	–	370
Depreciation charge for the year	46	91	31	67	34	–	269
Disposals	–	–	(4)	(3)	–	–	(7)
Translation differences	(21)	(13)	(2)	(23)	(2)	–	(61)
At 31 December 2008	57	179	68	198	69	–	571
Depreciation charge for the year	–	173	433	104	1	–	711
Impairment losses	1,994	1,157	2,361	235	42	11,180	16,969
Write-offs	–	–	(19)	(49)	(24)	–	(92)
Translation differences	3	4	5	17	1	–	30
At 31 December 2009	2,054	1,513	2,848	505	89	11,180	18,189
<b>Carrying amount</b>							
At 1 January 2008	4,398	2,882	4,215	579	195	23,919	36,188
At 31 December 2008	4,038	2,869	4,747	618	155	36,692	49,119
At 31 December 2009	2,132	1,593	2,527	322	134	30,647	37,355

Company	Plant and machinery US\$'000	Office furniture and fittings US\$'000	Office equipment US\$'000	Total US\$'000
<b>Cost</b>				
At 1 January 2008	18	95	111	224
Additions	–	99	31	130
Disposals	–	(4)	(4)	(8)
At 31 December 2008	18	190	138	346
Additions	–	–	5	5
Write-offs	–	(83)	(54)	(137)
At 31 December 2009	18	107	89	214
<b>Accumulated depreciation</b>				
At 1 January 2008	18	26	61	105
Depreciation for the year	–	18	30	48
Disposals	–	(1)	(3)	(4)
At 31 December 2008	18	43	88	149
Depreciation for the year	–	17	22	39
Write-offs	–	(19)	(48)	(67)
At 31 December 2009	18	41	62	121
<b>Carrying amount</b>				
At 1 January 2008	–	69	50	119
At 31 December 2008	–	147	50	197
At 31 December 2009	–	66	27	93

The depreciation charges of the Group are recognised in other operating expenses.

### ***Impairment of property, plant and equipment***

The Group has substantial investments in property, plant and equipment for its manufacturing facilities in Israel, India and China. Each of these manufacturing facilities, including the related property, plant and equipment, is a separate cash-generating unit.

Impairment loss is recognised when events and circumstances indicate that the Group and the Company's property, plant and equipment may be impaired and the carrying amounts of the property, plant and equipment exceed their recoverable amounts.

The recoverable amounts of the cash-generating units (the manufacturing facilities) were estimated based on its value in use, assuming that the commercial production would commence in 2010. The value in use calculation uses cash flow projections based on cash flows over the period of 20 years (estimated useful life of the licences used at the facilities) (see note 6). Discount rates ranging from 12.5% to 22.5% were used in discounting the projected cash flows. In addition to the risk free rate of return, management has considered additional risk factors such as market risks, execution risks and industry risks. The discount rates ranging from 12.5% to 22.5% used in the cash flow projections are higher than the Company's weighted average cost of capital of approximately 10.8%.

Key assumptions used in the value in use calculation include forecasted sales revenue, which is based on management's estimation of units of production and sales as compared to the external information on the estimated size of markets in the various countries. The assumptions are in line with management's understanding of the current economic conditions, and the business environment in the pharmaceutical industry and countries in which the Group operates.

During the year ended 31 December 2009, impairment losses amounting to approximately US\$17 million have been recognised in relation to the Group's Israel and India's facilities as follows:

#### ***Israel***

Based on management assessment's of the recoverable amount of the cash-generating unit, an impairment loss of US\$13 million have been recognised to the property, plant and equipment of the facility in Israel.

#### ***India***

As the assets of the India's facility were idle, the Company had obtained a valuation (prepared on a direct replacement cost basis) for the property, plant and equipment that were capitalised as the assets are specialised in nature and there is no active market for the assets. Consequently, these assets have been recorded at its recoverable amount as at 31 December 2009 following the recognition of approximately US\$4 million of impairment loss to profit and loss during the year.

### ***Security***

As at 31 December 2009, motor vehicles with a carrying amount of US\$30,000 (2008: US\$56,000) are pledged as security to secure bank loans (see note 17).

### ***Property, plant and equipment under construction***

During the year, the Group had rescheduled the construction of its manufacturing facilities in China and India. As at the reporting date, the carrying amount of the construction in progress for both China and India is US\$23,344,000 (2008: US\$26,229,000).

## Depreciation

The carrying amount of the property, plant and equipment is depreciated on a straight-line basis over the remaining useful life of each property, plant and equipment. Management reviews and revises the estimates of the remaining useful life and residual values of the property, plant and equipment at the end of each financial year based on their age and condition at that time. Changes in the way the property, plant and equipment are used and other factors (such as market or technological factors) could impact the useful life and residual values of the property, plant and equipment, therefore future depreciation charges could be revised. Any changes in the useful life and residual values of the property, plant and equipment would impact the depreciation charges and consequently affect the Group's and the Company's results.

## 6 Intangible assets

Group	Licences US\$'000	Computer software US\$'000	Development costs US\$'000	Total US\$'000
<b>Cost</b>				
At 1 January 2008	25,299	70	669	26,038
Additions	3,448	–	986	4,434
Translation differences	(4)	–	1	(3)
At 31 December 2008	28,743	70	1,656	30,469
Additions	773	–	511	1,284
Write-offs	(3,479)	–	–	(3,479)
Translation differences	1	–	–	1
At 31 December 2009	26,038	70	2,167	28,274
<b>Accumulated amortisation and impairment losses</b>				
At 1 January 2008	497	2	–	499
Amortisation charge for the year	116	27	–	143
At 31 December 2008	613	29	–	642
Amortisation charge for the year	263	19	–	282
Impairment losses	6,154	–	689	6,843
At 31 December 2009	7,030	48	689	7,767
<b>Carrying amount</b>				
At 1 January 2008	24,802	68	669	25,539
At 31 December 2008	28,130	41	1,656	29,827
At 31 December 2009	19,008	22	1,478	20,508

Company	Licences US\$'000	Computer software US\$'000	Development costs US\$'000	Total US\$'000
<b>Cost</b>				
At 1 January 2008	25,299	68	669	26,036
Additions	3,380	–	934	4,314
At 31 December 2008	28,679	68	1,603	30,350
Additions	773	–	424	1,197
Write-offs	(3,479)	–	–	(3,479)
At 31 December 2009	25,973	68	2,027	28,068
<b>Accumulated amortisation and impairment losses</b>				
At 1 January 2008	497	1	–	498
Amortisation charge for the year	116	26	–	142
At 31 December 2008	613	27	–	640
Amortisation charge for the year	263	19	–	282
Impairment losses	6,154	–	689	6,843
At 31 December 2009	7,030	46	689	7,765
<b>Carrying amount</b>				
At 1 January 2008	24,802	67	669	25,538
At 31 December 2008	28,066	41	1,603	29,710
At 31 December 2009	18,943	22	1,338	20,303

Included in the above development costs of the Group and the Company are clinical trial and regulatory compliance costs.

During the year ended 31 December 2009, licences for SciFeron™, SciTropin™ and SciLocyte™ amounting to approximately US\$3.5 million were written off as the Company was not proceeding with the commercial production for these products.

**Type of licences in respect of biologics**

	Cost US\$'000	Duration of licences
Rights to market and distribute <sup>(i)</sup> :		
- Sci-B-Vac™	8,283	10 – 20 years from the date of first approval for sales in specified group countries or from the date of repayment.
- SciLin™	1,118	
	9,401	
Rights to use technology to establish large scale production facility <sup>(ii)</sup> :		
- Sci-B-Vac™	4,089	10 – 20 years from the date of approval in the licensed territory.
- SciLin™	4,267	
	8,356	
Right to use design plans to construct large scale production facilities	8,281	10 – 20 years from the completion of construction of the facilities.
	26,038	

- (i) 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.
- (ii) The licence with the right to use technology requires the Company to erect and operate a facility or use a Contract Manufacturer Organisation with a minimal production capacity.

### ***Impairment of intangible assets***

The Group has substantial investments in intangible assets, which mainly comprise of licences and the related development costs. Each of these licences, including the related development costs, is a separate cash-generating unit.

Impairment loss is recognised when events and circumstances indicate that the Group and the Company's intangible assets may be impaired and the carrying amounts of the intangible assets exceed their recoverable amounts.

The recoverable amounts of the cash-generating units (the licences and development costs) were estimated based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the financial budgets for the period of the estimated useful life of the respective licences of 20 years from the date of registration.
- Cash flow forecasts for the first seven years were estimated based on management's assessment of the external information on the estimated size of markets in the various countries. Cash flows for the subsequent years up to the end of the estimated useful life of the licences were extrapolated using a constant or nil growth rate.
- Management believes that this forecast period was justified due to the long-term nature of the biopharmaceutical industry. As the licenced products are generic products, management believes that these licenced products would be able to generate revenue and future cash flows for a period of up to 20 years.
- Product prices were assumed to be constant based on management's current estimate of the prices, which was based on an analysis of the market price trends in the industry.
- All assumptions are in line with management's understanding of the current economic conditions, and the business environment in the pharmaceutical industry and countries in which the Group operates.
- Pre-tax discount rates ranging from 12.5% to 22.5% were applied in determining the recoverable amounts of the licences. In addition to the risk free rate of return, management has considered additional risk factors such as market risk, execution risk and industry risk. The pre-tax discount rates of 12.5% to 22.5% used in the cash flow projections are higher than the Company's weighted average cost of capital of approximately 10.8%.

The values assigned to the key assumptions represent management's assessment of future trends in the Group's manufacturing and distribution of biopharmaceutical products business and are based on both external sources and internal sources (historical data).

***Impairment loss for licence and development costs of Sci-B-Vac™***

The directors and management consider that, in arriving at the above estimates, they have made the best assessment they can, taking into account the conditions prevailing at 31 December 2009 and current information available to them, including an independent valuation carried out by Aqua Partners LLC (“Aqua Partners”) in February 2010.

In assessing the fair value of Sci-B-Vac™, Aqua Partners had taken into consideration the industry performance, economic outlook and market and financial conditions. The cash flow projections and assumptions used were based on information drawn from consultation with the Company’s executives and industry experts. Discount rates ranging from 15% to 25% were applied in determining the valuation for Sci-B-Vac™ which takes into account additional risk factors such as market and industry risks in arriving at the discount rates used.

At the reporting date, based on management’s assessment of the projected cash flows, valuation report from Aqua Partners and the expected delays in the production of Sci-B-Vac™ due to the suspension of the construction of its Hepatitis B vaccine facility in India, management is of the opinion that the carrying amounts of the Group and the Company’s licences and development costs relating to Sci-B-Vac™ is higher than its recoverable amount. As a result, an impairment loss of US\$6,843,000 was recognised to profit or loss.

The financial obligations to the licensors arising from the acquisition of these licences are disclosed in note 18 to the financial statements.

**7 Lease prepayments – Group**

	<b>Note</b>	<b>US\$’000</b>
<b>Cost</b>		
At 1 January 2008		1,298
Translation differences		91
At 31 December 2008		<u>1,389</u>
Additions		119
Disposal		–
Transfer to non-current assets held for sale	13	<u>(1,009)</u>
At 31 December 2009		<u><u>499</u></u>
<b>Accumulated depreciation</b>		
At 1 January 2008		41
Amortisation charge for the year		46
Translation differences		3
At 31 December 2008		<u>90</u>
Amortisation		47
At 31 December 2009		<u><u>137</u></u>
<b>Carrying amount</b>		
At 1 January 2008		<u>1,257</u>
At 31 December 2008		<u>1,299</u>
At 31 December 2009		<u><u>362</u></u>

Lease prepayments represent the land use rights held by a subsidiary in the Group situated in the People’s Republic of China (“PRC”). As at 31 December 2009, the remaining period of the land use rights is 28 years. None of the leases include contingent rentals.

There are no rules or guidelines under the existing rules and regulations in the PRC as to the responsibility of restoration upon expiry of land use rights. There is no reliable estimation to the cost of restoration and the directors believe that the expenditure is not probable.

## 8 Investment property – Group

	US\$'000
<b>Cost</b>	
At 1 January 2008	329
Translation differences	(65)
At 31 December 2008	<u>264</u>
Translation differences	14
At 31 December 2009	<u><u>278</u></u>
<b>Accumulated depreciation</b>	
At 1 January 2008	10
Depreciation charge for the year	8
Translation differences	(3)
At 31 December 2008	<u>15</u>
Depreciation charge for the year	30
Translation differences	(13)
At 31 December 2009	<u><u>32</u></u>
<b>Carrying amount</b>	
At 1 January 2008	<u>319</u>
At 31 December 2008	<u>249</u>
At 31 December 2009	<u><u>245</u></u>

The investment property comprises a residential apartment that is leased to third parties for a period of 3 years. Subsequent renewals are negotiated with the lessee. During the year, there were no significant expenses incurred by the Group for repair and maintenance for the investment property as most repair and maintenance costs are borne by the lessee of the investment property.

During the year, the Group received rental income on the lease of the investment property amounting to US\$18,000 (2008: US\$29,000).

The fair value of the investment property as at 31 December 2009 is approximately US\$650,000.

### ***Basis of valuation***

The fair value of the investment property is determined by the directors based on open market comparison method. Fair values are determined having regard to recent market transactions for similar properties in the same location.

## 9 Subsidiaries – Company

	2009 US\$'000	2008 US\$'000
Unquoted shares, at cost	8,032	7,881
Less: Allowance for impairment loss	(1,416)	(1,416)
	<u>6,616</u>	<u>6,465</u>
Loans to subsidiaries	49,937	43,973
Less: Allowance for impairment loss	(13,310)	–
	<u>43,243</u>	<u>50,438</u>

Loans to subsidiaries which form part of the Company's net investments in subsidiaries, are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investment in subsidiaries, they are stated at cost.

Details of subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group	
		2009	2008
SciGen (Australia) Pty Ltd <sup>(2)</sup>	Australia	100%	100%
SciGen Korea Ltd <sup>(2)</sup>	Republic of Korea	100%	100%
SciGen (I.L.) Ltd <sup>(1)</sup>	State of Israel	100%	100%
Hefei-SciGen-Bioton Biopharmaceutical Company Ltd <sup>(1)</sup>	People's Republic of China	52%	52%
SciGen Biopharma Private Ltd <sup>(1)</sup>	Republic of India	100%	100%
SciGen (Beijing) Biotechnology Co., Ltd <sup>(2)</sup>	People's Republic of China	100%	100%

<sup>(1)</sup> Audited by other member firms of KPMG International.

<sup>(2)</sup> Not required to be audited in accordance with the laws of the country of incorporation.

### Source of estimation uncertainty

The Company maintains impairment losses at a level considered adequate to provide for potential non-recoverability of investment in subsidiaries. The level of allowance is evaluated by the Company on the basis of factors that affect the recoverability of the investments. These factors include, but are not limited to, the activities and financial position of the entities and market factors. The Company reviews and identifies balances that are to be impaired on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgement or utilised different estimates. An increase in the Company's impairment losses would increase the Company's recorded other operating expenses and decrease the carrying value of investment in subsidiaries.

## 10 Inventories

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Raw materials	454	389	–	–
Work in progress	277	226	–	–
Finished goods	1,905	645	130	96
	<u>2,636</u>	<u>1,260</u>	<u>130</u>	<u>96</u>

## 11 Trade and other receivables

	Note	Group		Company	
		2009	2008	2009	2008
		US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables		2,068	4,060	1,784	3,685
Allowance for doubtful receivables		–	(5)	–	–
		<u>2,068</u>	<u>4,055</u>	<u>1,784</u>	<u>3,685</u>
Amounts due from subsidiaries (trade)		–	–	2,835	1,984
Allowance for doubtful receivables (trade)		–	–	(662)	(398)
		–	–	<u>2,173</u>	<u>1,586</u>
Amounts due from subsidiaries (non-trade)		–	–	99	652
Allowance for doubtful receivables (non-trade)		–	–	(99)	(60)
		–	–	–	592
Deposits		350	359	225	230
Other receivables		185	191	10	35
Staff advances		7	27	1	3
Amounts due from holding company (non-trade)		90	259	90	259
	29	<u>2,700</u>	<u>4,891</u>	<u>4,283</u>	<u>6,390</u>
Prepayments		458	494	128	224
Advances to suppliers		1,007	2,213	–	–
		<u>4,165</u>	<u>7,598</u>	<u>4,411</u>	<u>6,614</u>

The non-trade amounts due from director-related entities, subsidiaries and holding company are unsecured, interest-free and are repayable on demand.

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engaged in a wide spectrum of pharmaceutical product distribution activities and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for trade receivables due from third parties at the reporting date (by geographical region) is:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
India	764	2,547	764	2,547
Vietnam	460	493	460	493
Thailand	174	323	174	323
Philippines	326	262	326	262
Australia	155	144	–	–
Korea	81	226	–	–
Others	108	60	60	60
	<b>2,068</b>	<b>4,055</b>	<b>1,784</b>	<b>3,685</b>

The Group's most significant customer accounts for US\$764,000 (2008: US\$2,547,000) of the trade receivables carrying amount as at 31 December 2009.

#### ***Impairment losses***

The ageing of trade receivables due from third parties at the reporting date is:

<b>Group</b>	<b>2009</b>		<b>2008</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>US\$'000</b>	<b>losses</b>	<b>US\$'000</b>	<b>losses</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Not past due	1,265	–	3,870	–
Past due 0 – 30 days	648	–	69	–
Past due 31 – 120 days	95	–	56	(3)
More than 120 days	60	–	65	(2)
	<b>2,068</b>	<b>–</b>	<b>4,060</b>	<b>(5)</b>

#### **Company**

Not past due	1,109	–	3,626	–
Past due 0 – 30 days	581	–	17	–
Past due 31 – 120 days	83	–	–	–
More than 120 days	11	–	42	–
	<b>1,784</b>	<b>–</b>	<b>3,685</b>	<b>–</b>

The change in impairment loss in respect of trade receivables due from third parties during the year is as follows:

	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
At 1 January	5	7	–	–
Impairment loss recognised	–	17	–	–
Impairment loss reversed	(5)	(19)	–	–
At 31 December	–	5	–	–

*Allowance for doubtful receivables*

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of all trade receivables, unless specifically provided for due to uncertainties in the collection of debts. These receivables mainly relate to customers that have a good record with the Group. In respect of trade receivables which are past due for more than 120 days, management believes that no further impairment allowance is necessary as there have been repayments by the customers during the year and subsequent to the reporting date.

## 12 Cash and cash equivalents

Note	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Cash at bank and in hand	4,003	5,966	1,122	352
Deposits on call	886	126	5	5
29	4,889	6,092	1,127	357

Bank deposits on call have an average maturity of one to six months (2008: one to six months) from the end of the financial year with the following weighted average effective interest rates:

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
United States dollars	–	1.52	–	–
Singapore dollars	0.45	0.83	0.45	0.83
Indian rupees	6.67	8.42	–	–
New Israel shekels	0.05	–	–	–
Chinese renminbi	1.71	–	–	–
Australian dollars	5.23	–	–	–

### 13 Assets classified as held for sale - Group

Certain plant and equipment and land use rights (the “Assets”) of the Company’s subsidiary in the People’s Republic of China, Hefei-SciGen-Bioton Biopharmaceutical Company Ltd. (“HSBBC”) is presented as held for sale following the decision of HSBBC’s Board of Directors on 29 November 2009 to sell the idle Assets. Sale of the Assets is expected to be completed by November 2010.

An impairment loss of US\$1.4 million is based on the sales and purchase agreement entered into with a shareholder of HSBBC by HSBBC after the financial year ended 31 December 2009 and has been recognised in profit or loss.

The carrying amount of the Assets are as follows:

	Note	Group	
		2009 US\$’000	2008 US\$’000
Transfer from property, plant and equipment	5	1,450	–
Less : Impairment losses		(1,408)	–
		42	–
Transfer from lease prepayment	7	1,009	–
		1,051	–

### 14 Share capital

	Group and Company			
	2009 No. of shares (’000)	2008 No. of shares (’000)	2009 US\$’000	2008 US\$’000
<b>Issued and fully-paid:</b>				
At 1 January and 31 December	552,270	552,270	42,530	42,530

In the previous financial year, the Group had issued share options under its SciGen Ltd Options Scheme (see note 16).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

#### *Capital management*

The Board defines “Capital” to include share capital, reserves, accumulated losses, minority interests and the loans from holding company. The Group is currently undergoing a period of substantial investment for its manufacturing facilities in China and India. The funds required for these investments are provided, on arms length terms, by Bioton, the holding company of the Company.

The Company prepares cash forecasts for each of its manufacturing facilities based on certain assumptions and the Board thoroughly reviews these forecasts and assumptions. The Board is therefore able to closely monitor both the total funding requirements for the Group and its ability to generate cash in future. This ensures that the level of debt remains manageable and the Group will have sufficient cash to repay the loan due to the holding company, when it falls due in 2011. There were no changes in the Group's approach to capital management during the year.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 15 Reserves

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Foreign currency translation reserve	(1,051)	(3,300)	–	–
Share option reserve	–	1,600	–	1,600
	<u>(1,051)</u>	<u>(1,700)</u>	<u>–</u>	<u>1,600</u>

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company, and the exchange differences on foreign currency loans to subsidiaries, which form part of the Group's net investment in foreign operations.

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the related balance previously recognised in the share option reserve is transferred to share capital. When the share options are cancelled or have expired, the related balance previously recognised in the share option reserve is transferred to accumulated losses.

## 16 Employee share options

The SciGen Ltd Options Scheme (the "Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 November 2002. The options under Class 8 and 12 were issued to the former Chairman and CEO of the Company, Mr. Saul A. Mashaal.

The options and all rights thereto lapsed on 29 June 2009 and compensation payable to Mr. Saul A. Mashaal for the forfeiture of the options were included in the termination benefits paid/payable of US\$2.7 million.

Movements in the number of employee shares options granted to the executive director and employees, and their related weighted average exercise price are as follows:

	2009		2008	
	Weighted average exercise price A\$	No. of options	Weighted average exercise price A\$	No. of options
At 1 January	0.08	49,724,585	0.08	49,724,585
Lapsed	(0.08)	(49,724,585)	–	–
At 31 December	–	–	0.08	49,724,585
Exercisable at 31 December	–	–	0.20	8,379,311

No options were exercised during the year ended 31 December 2009.

Share options granted to executive directors and employees outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Class	Exercise price A\$	Balance as at 1/1/2009 Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance as at 31/12/2009 Number
15/11/2002	04/10/2012	Class 8	A\$0.20	8,379,311	–	–	(8,379,311)	–
20/11/2006	31/12/2021	Class 12	A\$0.05	41,345,274	–	–	(41,345,274)	–
				49,724,585	–	–	(49,724,585)	–

  

Grant date	Expiry date	Class	Exercise price A\$	Balance as at 1/1/2008 Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance as at 31/12/2008 Number
15/11/2002	04/10/2012	Class 8	A\$0.20	8,379,311	–	–	–	8,379,311
20/11/2006	31/12/2021	Class 12	A\$0.05	41,345,274	–	–	–	41,345,274
				49,724,585	–	–	–	49,724,585

No options were issued by the Company during the financial year ended 31 December 2009.

## 17 Loans and borrowings

Note	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>Non-current</b>				
Secured bank loans	17	124	–	–
Loans from holding company	71,127	61,643	71,127	61,643
	71,144	61,767	71,127	61,643
<b>Current</b>				
Secured bank loans	–	7	–	–
29	71,144	61,774	71,127	61,643

The bank loans are secured on property, plant and equipment with a carrying amount of US\$30,000 (2008: US\$56,000) (see note 5).

The loans from holding company were made on normal commercial terms and conditions and bear interest of LIBOR 3 months + 1% (2008: LIBOR 3 months + 1%) per annum. The loans and interests are due for repayment on 31 December 2011.

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans and borrowings are as follows:

Group	Nominal interest rate	Year to maturity	2009		2008	
			Face value US\$'000	Carrying amount US\$'000	Face value US\$'000	Carrying amount US\$'000
Indian Rupees fixed interest rate loans:						
- housing loan	12.50%	2020	-	-	190	127
- motor vehicle loan	11.79%	2012	24	17	12	4
			24	17	202	131
Variable interest rate loans from holding company	LIBOR 3 months + 1%	2011	71,127	71,127	61,643	61,643
			71,151	71,144	61,845	61,774
<b>Company</b>						
Variable interest rate loans from holding company	LIBOR 3 months + 1%	2011	71,127	71,127	61,643	61,643

The following are the expected contractual undiscounted cash outflows of non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements:

Group	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash flows		
			Within 1 year US\$'000	Within 1 to 5 years US\$'000	More than 5 years US\$'000
<b>2009</b>					
Fixed interest rate loans	17	(17)	(8)	(9)	-
Variable interest rate loans from holding company *	77,149	(77,149)	-	(77,149)	-
Trade and other payables	19,691	(19,691)	(19,691)	-	-
	96,857	(96,857)	(19,699)	(77,158)	-
<b>2008</b>					
Fixed interest rate loans	131	(254)	(24)	(86)	(144)
Variable interest rate loans from holding company *	66,131	(76,379)	-	(76,379)	-
Trade and other payables	17,007	(17,007)	(16,812)	(195)	-
	83,270	(93,640)	(16,836)	(76,660)	(144)

Company	Cash flows				
	Carrying amount US\$'000	Contractual cash flows US\$'000	Within 1 year US\$'000	Within 1 to 5 years US\$'000	More than 5 years US\$'000
<b>2009</b>					
Variable interest rate loans					
from holding company *	77,149	(77,149)	–	(77,149)	–
Trade and other payables	14,966	(14,966)	(14,966)	–	–
	<u>92,115</u>	<u>(92,115)</u>	<u>(14,966)</u>	<u>(77,149)</u>	<u>–</u>
<b>2008</b>					
Variable interest rate loans					
from holding company *	66,131	(76,379)	–	(76,379)	–
Trade and other payables	13,675	(13,675)	(13,480)	(195)	–
	<u>79,806</u>	<u>(90,054)</u>	<u>(13,480)</u>	<u>(76,574)</u>	<u>–</u>

\* Includes accrued interest payable on loans from holding company.

The weighted average effective interest rates per annum relating to borrowings at the reporting dates for the Group and the Company are as follows:

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Secured bank loans	11.79	12.37	–	–
Loans from holding company	<u>1.28</u>	<u>2.20</u>	<u>1.28</u>	<u>2.20</u>

The interest rates for the above bank borrowings re-price at intervals of one to three months.

## 18 Trade and other payables

	Note	Group		Company	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>Non-current</b>					
Long-term portion of obligation to licensors		–	195	–	195
Accrued interest payable to holding company		6,022	4,488	6,022	4,488
		<u>6,022</u>	<u>4,683</u>	<u>6,022</u>	<u>4,683</u>
<b>Current</b>					
Trade payables		870	1,287	435	180
Short-term portion of obligations to licensors		195	925	195	925
Amounts due to holding company (trade)		10,139	6,740	10,139	6,740
Amounts due to a subsidiary (non-trade)		–	–	204	199
Amounts due to related parties (non-trade)		1,297	45	1,297	46
Other payables		1,852	4,092	280	2,158
Employee benefits		1,794	393	1,388	58
Accrued operating expenses		3,134	3,314	1,028	3,174
	29	<u>19,281</u>	<u>16,796</u>	<u>14,966</u>	<u>13,480</u>
Advances from customers		410	16	–	–
		<u>25,713</u>	<u>21,495</u>	<u>20,988</u>	<u>18,163</u>

The non-current accrued interest payable to holding company comprises the loan interest payable to the holding company which is due for repayment on 31 December 2011. The non-current accrued interest payable is stated at amortised cost. The difference between the fair value and the book value is recognised in profit and loss. The fair value was determined based on discounted expected future principal cash flows, discounted at the effective interest rate of 1.76% (2008: 4.64%) per annum at the reporting date. These amounts were subsequently measured at amortised cost using the effective interest rate method.

Non-trade amounts due to a subsidiary and related parties are unsecured, interest-free and are repayable on demand.

## 19 Revenue – Group

	2009 US\$'000	2008 US\$'000
Sale of goods	<u>11,251</u>	<u>13,860</u>

## 20 Other operating income – Group

	2009 US\$'000	2008 US\$'000
Rental income from investment property	18	29
Others	233	87
	251	116
	251	116

## 21 Other expenses from operating activities – Group

	2009 US\$'000	2008 US\$'000
Advertising and promotional expenses	2,065	2,794
Professional and consultancy fees	778	1,131
Travel and entertainment expenses	557	925
Insurance premium	256	246
Rental expenses	537	447
Regulatory and clinical research expenses	182	117
Administrative and communication expenses	385	265
Statutory compliance fee	1,000	–
Storage and distribution expenses	282	285
Property tax and license fees	600	–
Others	577	617
	7,219	6,827
	7,219	6,827

## 22 Finance income and costs – Group

	2009 US\$'000	2008 US\$'000
Interest income received/receivable from:		
- deemed interest on non-current payables	–	304
- banks	22	135
	22	439
Unrealised exchange gain	513	–
Finance income	535	439
Interest expense paid/payable to:		
- banks	(31)	(46)
- holding company	(1,414)	(2,720)
	(1,445)	(2,766)
Unrealised exchange loss	–	(925)
Finance expenses	(1,445)	(3,691)
Net finance expense recognised in profit or loss	(910)	(3,252)

## 23 Loss from operating activities before income tax – Group

The following items have been included in arriving at loss from operating activities before income tax:

	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Bad debts written (back)/off	(2)	17
Loss on disposal of property, plant and equipment	–	19
Non-audit fees paid to other auditors	233	326
Operating lease expenses	645	449
Contributions to defined contribution plans, included in staff costs	352	365
Share-based payment, included in staff costs	–	686
	<u>–</u>	<u>686</u>

## 24 Remuneration of key management personnel – Group

### (a) Key management personnel

The following persons, who are employed by the Company, also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>
Mr. Saul A. Mashaal <i>(Until 30 June 2009)</i>	Chairman and Chief Executive Officer
Mr. Adam Allerhand <i>(Until 28 February 2010)</i>	Chief Executive Officer
Mr. Martin Cooper	Chief Financial Officer
Mr. David M. Mashaal <i>(Until 31 July 2009)</i>	VP Corporate Business Development
Ms. Jenny Low Saw Imm	Senior Vice President / Corporate Affairs
Dr. G. Balasubramaniam <i>(Until 15 August 2009)</i>	Regional Director of Sales & Marketing
Mr. Marcus Poh	Regional Product Manager

### (b) Key management personnel compensation

	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Short-term employee benefits	1,114	907
Post-employment benefits	26	28
Termination benefits	2,836	–
	<u>3,976</u>	<u>935</u>

## 25 Income tax expense – Group

	2009 US\$'000	2008 US\$'000
<b>Current tax (rebate)/expense</b>		
Current year	(19)	21
<b>Deferred tax expense</b>		
(Over)/Under provision in respect of prior years	(70)	3
	(70)	3
Total income tax expense	(89)	24
<b>Reconciliation of effective tax rate</b>		
Loss for the year	(40,362)	(8,484)
Total income tax expense	(89)	24
Loss from operating activities before income tax	(40,451)	(8,460)
Tax calculated using Singapore tax rate of 17% (2008: 18%)	(6,877)	(1,523)
Effect of different tax rates in other countries	(1,306)	(765)
Income not subject to tax	10	(79)
Expenses not deductible for tax purposes	3,215	134
Unrecognised deferred tax assets	4,908	2,275
(Over)/Under provision of deferred tax in respect of prior years	(70)	3
Others	31	(21)
	(89)	24

Significant judgement is required in determining the types and rates of taxes payable, deductibility of certain expenses, and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provision for income tax and deferred income tax provisions in the period in which such determination is made.

There is tax income on the results for the financial year ended 31 December 2009 for the Group was mainly due to a tax rebate of US\$89,000 received (2008: expense of US\$24,000 incurred) by its subsidiary, SciGen (I.L.) Ltd during the year. There is no tax expense on the results for the financial year for the Company as the Company has incurred losses for tax purposes.

The Group and the Company has unutilised tax losses of approximately US\$58,824,050 and US\$51,928,000 (2008: US\$39,131,000 and US\$32,131,000) respectively, available for offsetting against future taxable income, subject to agreement by the relevant tax authorities and compliance with the tax regulations in which the Group and the Company operates. Tax losses of the Company do not expire under the current tax regulations. Deferred tax benefits on these unutilised tax losses for the Group and the Company, amounting to approximately US\$9,439,000 and US\$9,347,000 (2008: US\$8,042,000 and US\$5,784,000) respectively, have not been recognised by the Group and the Company as it is not probable that future taxable profit will be available against which certain subsidiaries of the Group and the Company can utilise the benefits.

## 26 Loss per share – Group

	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Basic loss per share is based on:		
Net loss attributable to ordinary shareholders	(38,637)	(8,102)
	<hr/>	<hr/>
	<b>No. of shares</b>	<b>No. of shares</b>
	<b>('000)</b>	<b>('000)</b>
Issued ordinary shares at beginning of the year	552,270	552,270
Effect of share options exercised	–	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at the end of the year	552,270	552,270
	<hr/> <hr/>	<hr/> <hr/>

## 27 Subsequent events

On 15 March 2010, the Group signed an investment agreement with Anglo Gulf Ltd (“Anglo Gulf”) for the issue and allotment of new shares in SciGen Biopharma Pvt. Ltd. (“SciGen Biopharma”), which is 100% owned by the Company and operating in India. This transaction involves a cash injection of US\$8 million by Anglo Gulf for 49.99% interest in the equity of SciGen Biopharma. Following the issue of the new shares in SciGen Biopharma to Anglo Gulf, the Company will continue to retain control of the subsidiary.

## 28 Segment reporting

Segment information is presented in respect of the Group’s geographical segments. The reportable segment presentation is based on the Group’s management and internal reporting structure, used for its strategic decision-making purposes. Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than the investment property) and related revenue, loans and expenses, corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

### *Business segments*

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

### *Geographical segments*

The Group and the Company operate predominantly 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 and marketing.

***Australia***

Includes sales and marketing activities.

***India***

Includes sales, marketing and manufacturing activities.

***Korea***

Includes sales and marketing activities.

***Thailand***

Includes sales and marketing activities.

***Israel***

Manufacturing activities only.

***China***

Manufacturing activities only.

***Others***

Comprises operations carried on in Hong Kong, Philippines, Indonesia, Vietnam and other countries in South East Asia. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2009 or 2008.

***Major customers***

Revenues from two customers, namely from India and Thailand, represent approximately US\$4.2 million of the Company's total revenues.

**Geographical segments**

	Singapore		Australia		Korea		Thailand		Israel		India		China		Others		Total operations	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Sales to external customers	10	–	3,936	3,729	879	1,181	1,673	2,038	–	–	2,553	4,966	–	–	2,199	1,946	11,251	13,860
Inter-segment sales	2,198	1,027	(1,872)	(1,027)	(325)	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total sales revenue</b>	<b>2,208</b>	<b>1,027</b>	<b>2,064</b>	<b>2,702</b>	<b>554</b>	<b>1,181</b>	<b>1,673</b>	<b>2,038</b>	<b>–</b>	<b>–</b>	<b>2,553</b>	<b>4,966</b>	<b>–</b>	<b>–</b>	<b>2,199</b>	<b>1,946</b>	<b>11,251</b>	<b>13,860</b>
EBITDA*	(9)	(73)	1,639	(168)	(198)	(162)	219	223	(14,381)	(141)	(5,319)	13	(3,575)	(766)	293	230	(21,331)	(844)
Depreciation & amortisation	–	–	(26)	(17)	(4)	(4)	–	–	(641)	–	(30)	(184)	(47)	(71)	(3)	(3)	(751)	(279)
Interest expense	–	–	(1)	–	–	–	–	–	(17)	(19)	(14)	(27)	–	–	(3)	–	(35)	(46)
Interest income	–	–	19	36	–	9	–	–	1	8	(8)	53	10	24	–	–	22	130
	(9)	(73)	1,631	(149)	(202)	(157)	219	223	(15,038)	(152)	(5,371)	(145)	(3,612)	(813)	287	227	(22,095)	(1,039)
Unallocated revenue less unallocated expenses																	(18,356)	(7,421)
																	(40,451)	(8,460)
Minority interest																	1,725	382
Loss from operating activities before income tax																	(38,726)	(8,078)
Income tax income/(expense)																	89	(24)
Loss for the year attributable to shareholders																	(38,637)	(8,102)
<b>Assets &amp; Liabilities</b>																		
Total non-current assets	–	–	96	71	21	8	–	–	11,103	21,309	18,619	19,650	8,218	9,537	3	11	38,060	50,586
Deferred tax assets	–	–	–	–	–	–	–	–	12	12	–	–	–	–	–	–	12	12
Total current assets	–	–	2,070	1,071	464	518	174	323	2,660	1,846	2,796	5,109	2,057	4,325	967	804	11,188	13,996
Segment assets	–	–	2,166	1,142	486	526	174	323	13,775	23,167	21,415	24,759	10,275	13,862	970	815	49,260	64,594
Unallocated assets																	21,963	31,088
<b>Total consolidated assets</b>																	<b>71,223</b>	<b>95,682</b>
Segment liabilities	–	–	(124)	(66)	(80)	(209)	(23)	(121)	(793)	(1,417)	(3,160)	(2,720)	(1,512)	(1,087)	(412)	(565)	(6,104)	(6,185)
Unallocated liabilities																	(90,807)	(77,210)
<b>Total consolidated liabilities</b>																	<b>(96,911)</b>	<b>(83,395)</b>

\* EBITDA – Earnings before Interest, Taxation, Depreciation and Amortisation

*SciGen Ltd and its subsidiaries*  
*Financial statements*  
*Year ended 31 December 2009*

	Singapore		Australia		Korea		Thailand		Israel		India		China		Others		Total operations	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Other segment information :</b>																		
Capital expenditure on property, plant and equipment ("PPE")/intangible assets ("IA")	-	-	34	16	17	4	-	-	-	6,755	-	8,308	-	3,018	-	-	51	18,101
Unallocated expenditure																	9,669	4,444
Total capital expenditure on PPE and IA																	<u>9,720</u>	<u>22,545</u>
<b>Material non-cash items :</b>																		
Impairment losses on PPE/ Total impairment losses on PPE	-	-	34	16	17	4	-	-	(13,000)	-	(3,968)	-	(1,408)	-	-	-	<u>(18,376)</u>	<u>-</u>
Write-off of PPE	-	-	-	-	-	-	-	-	-	-	-	-	(1,850)	-	-	-	(1,850)	-
Unallocated write-off																	<u>(110)</u>	<u>-</u>
Total write-off of PPE																	<u>(1,960)</u>	<u>-</u>
Unallocated impairment losses on IA/Total impairment losses on IA																	<u>(6,842)</u>	<u>-</u>
Unallocated write-offs of IA/ Total write-offs of IA																	<u>(3,479)</u>	<u>-</u>

## 29 **Financial risk management**

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

### **Risk management framework**

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### ***Credit risk***

Credit risk is the risk of financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due. Credit risk relating to financial guarantee contracts represents the financial loss that would be recognised upon a default by the parties to which the financial guarantees were issued on behalf of.

### ***Trade and other receivables***

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. If the customers are independently rated, these ratings are used. Otherwise, the credit quality of customers is assessed after taking into account its financial position and past experience with the customers. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and deposits on call are placed with banks which are regulated and those which management believes to be financially strong.

### ***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The Group relies on its holding company to finance the Group's operations.

### ***Market risk***

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### ***Interest rate risk***

The Group has substantial borrowings with variable interest rates and is therefore exposed to interest rate risk. This arises primarily from borrowings denominated in United States dollars. The Group does not use derivative financial instruments to hedge its interest rates. The Group also does not hedge interest rate fluctuations.

### ***Sensitivity analysis***

At the reporting date, the Group and the Company has a floating rate loan from the holding company of US\$71,127,000 (2008: US\$61,644,000). A change of 100 basis points in interest rates at the reporting date would (increase)/decrease profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

<b>Group and Company</b>	<b>Profit or loss</b>	
	<b>100 bp increase US\$'000</b>	<b>100 bp decrease US\$'000</b>
<b>2009</b>		
Variable rate loans from holding company	(711)	711
	<hr/> <hr/>	<hr/> <hr/>
<b>2008</b>		
Variable rate loans from holding company	(616)	616
	<hr/> <hr/>	<hr/> <hr/>

*Foreign currency risk*

The Group operates internationally and is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the respective functional currencies of group entities. The currencies giving rise to this risk are primarily US dollars, New Israeli shekels, Indian rupees, Singapore dollars, Australian dollars, Korean won and Chinese renminbi. Entities in the Group use natural hedging for cash foreign currency exposure risk in connection with the functional currency. The Group does not enter into transactions to hedge against its foreign currency risk.

In respect of other monetary assets and liabilities held in currencies other than the United States dollars, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Group's and the Company's exposure to currencies, other than the respective functional currencies of group entities, and the sensitivity to a 10% (2008: 10%) strengthening of purchased currency of the respective entities against the foreign currencies, are as follows:

<b>Group</b>	<b>United States dollars \$'000</b>	<b>New Israeli shekels \$'000</b>	<b>Indian rupees \$'000</b>	<b>Singapore dollars \$'000</b>	<b>Australian dollars \$'000</b>	<b>Korean won \$'000</b>	<b>Chinese renminbi \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
<b>2009</b>									
Trade and other receivables	1,956	233	1,298	157	262	155	10	96	4,167
Cash and cash equivalents	1,451	444	734	70	1,481	46	663	–	4,889
Trade and other payables	(20,554)	(738)	(2,473)	(218)	(124)	(80)	(1,512)	(14)	(25,713)
<b>Net financial (liabilities) / assets</b>	<b>(17,147)</b>	<b>(61)</b>	<b>(441)</b>	<b>9</b>	<b>1,619</b>	<b>121</b>	<b>(839)</b>	<b>82</b>	<b>(16,657)</b>
Less: Net financial liabilities / (assets) denominated in the respective entities functional currencies	17,564	61	441	–	(1,590)	(121)	(839)	–	(18,778)
	417	–	–	9	29	–	–	82	537
Sensitivity analysis	(42)	–	–	(1)	(3)	–	–	(8)	(54)
<b>2008</b>									
Trade and other receivables	3,693	193	2,883	210	179	267	73	100	7,598
Cash and cash equivalents	3,657	645	79	60	523	191	938	–	6,092
Trade and other payables	(18,146)	(1,418)	(86)	(440)	(86)	(145)	(1,074)	(100)	(21,495)
<b>Net financial (liabilities) / assets</b>	<b>(10,796)</b>	<b>(580)</b>	<b>2,776</b>	<b>(170)</b>	<b>616</b>	<b>313</b>	<b>(63)</b>	<b>–</b>	<b>(7,805)</b>
Less: Net financial liabilities / (assets) denominated in the respective entities functional currencies	14,176	260	(946)	–	(616)	(313)	63	–	2,101
	3,380	(320)	1,830	(170)	–	–	–	–	4,720
Sensitivity analysis	(338)	32	(183)	17	–	–	–	–	(472)

Company	United States dollars \$'000	New Israeli shekels \$'000	Indian rupees \$'000	Singapore dollars \$'000	Australian dollars \$'000	Korean won \$'000	Chinese renminbi \$'000	Others \$'000	Total \$'000
<b>2009</b>									
Trade and other receivables	4,150	–	–	157	8	–	–	96	4,411
Cash and cash equivalents	1,036	–	–	70	21	–	–	–	1,127
Trade and other payables	(20,756)	–	–	(218)	–	–	–	(14)	(20,988)
<b>Net financial (liabilities) / assets</b>	<b>(15,570)</b>	<b>–</b>	<b>–</b>	<b>9</b>	<b>29</b>	<b>–</b>	<b>–</b>	<b>82</b>	<b>(15,450)</b>
Less: Net financial liabilities / (assets) denominated in the respective entities functional currencies	15,570	–	–	–	–	–	–	–	15,570
	–	–	–	9	29	–	–	82	120
Sensitivity analysis	–	–	–	(1)	(3)	–	–	(8)	(12)
<b>2008</b>									
Trade and other receivables	4,442	–	1,830	210	32	–	–	100	6,614
Cash and cash equivalents	279	–	–	60	18	–	–	–	357
Trade and other payables	(17,253)	(320)	–	(440)	(50)	–	–	(100)	(18,163)
<b>Net financial (liabilities) / assets</b>	<b>(12,532)</b>	<b>(320)</b>	<b>1,830</b>	<b>(170)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(11,192)</b>
Less: Net financial liabilities / (assets) denominated in the respective entities functional currencies	12,532	–	–	–	–	–	–	–	2,101
	–	(320)	1,830	(170)	–	–	–	–	1,340
Sensitivity analysis	–	32	(183)	17	–	–	–	–	(134)

A 10% (2008: 10%) weakening of the above currencies against the respective functional currencies of group entities at the reporting date would have had the equal but opposite effect on the above currencies to the pre-tax amounts shown above, on the basis that all other variables remain constant.

***Estimation of fair values***

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company.

***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

***Other financial assets and liabilities***

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

***Interest rate risk***

The Group's exposure to changes in interest rates relates primarily to its interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

***Profile***

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

<b>Group</b>	<b>Note</b>	<b>Carrying amount 2009 US\$'000</b>	<b>Carrying amount 2008 US\$'000</b>
<b>Financial liabilities</b>			
Indian rupees fixed rate bank loans	17	(17)	(131)

**Fair values versus carrying amounts**

The carrying amounts of the Group and the Company's financial instruments carried at cost or amortised cost is not materially different from their fair values as at 31 December 2009 and 2008 except as follows:

The aggregate net fair values of recognised financial liabilities which are not carried at fair value in the balance sheet as at 31 December are represented in the following table:

<b>Group</b>	<b>Note</b>	<b>Carrying amount 2009 US\$'000</b>	<b>Fair value 2009 US\$'000</b>	<b>Carrying amount 2008 US\$'000</b>	<b>Fair value 2008 US\$'000</b>
<b>Financial liabilities</b>					
Indian Rupees fixed rate bank loans	17	(17)	(15)	(131)	(116)

***Interest rates used for determining fair values***

The interest rates used to discount estimated cash flows, where applicable, are based on the Company's effective interest rate and are as follows:

	<b>2009</b>	<b>2008</b>
	%	%
Payables	1.76	4.64

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the financial year ended 31 December 2009, there was no financial instrument carried at fair value, by valuation method.

***Financial instruments by category***

Set out below is a comparison by category of carrying amounts of all the Group's financial instruments that are carried in the financial statements:

<b>Group</b>	<b>Note</b>	<b>Loans and receivables</b>	<b>Liabilities at amortised cost</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>2009</b>			
<b>Assets</b>			
Trade and other receivables	11	2,700	–
Cash and cash equivalents	12	4,889	–
		7,589	–
<b>Liabilities</b>			
Interest-bearing liabilities	17	–	71,144
Trade and other payables	18	–	19,281
		–	90,425
<b>2008</b>			
<b>Assets</b>			
Trade and other receivables	11	4,891	–
Cash and cash equivalents	12	6,092	–
		10,983	–
<b>Liabilities</b>			
Loans and borrowings	17	–	61,774
Trade and other payables	18	–	16,796
		–	78,570

Company	Note	Loans and receivables US'000	Liabilities at amortised cost US'000
<b>2009</b>			
<b>Assets</b>			
Trade other receivables	11	4,283	–
Cash and cash equivalents	12	1,127	–
		5,410	–
<b>Liabilities</b>			
Loans and borrowings	17	–	71,127
Trade and other payables	18	–	14,966
		–	86,093
<b>2008</b>			
<b>Assets</b>			
Trade and other receivables	11	6,390	–
Cash and cash equivalents	12	357	–
		6,747	–
<b>Liabilities</b>			
Loans and borrowings	17	–	61,643
Trade and other payables	18	–	13,480
		–	75,123

## 30 Commitments

Commitments not reflected in the financial statements at the reporting date are as follows:

### (a) Operating lease commitments

The Group leases a number of offices under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date. Lease payments are usually revised when the leases are renewed to reflect market rentals.

At 31 December 2009, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Within 1 year	575	841	282	509
After 1 year but within 5 years	235	702	13	231
	810	1,543	295	740

The Group leases out its investment property. Operating lease rentals are receivable as follows:

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Within 1 year	3	24	–	–
After 1 year but within 5 years	–	4	–	–
	<u>3</u>	<u>28</u>	<u>–</u>	<u>–</u>

**(b) Capital commitments**

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Capital expenditure contracted but not provided for in the financial statements is as follows:				
Acquisition of property, plant and equipment	6,200	7,292	–	1,461
	<u>6,200</u>	<u>7,292</u>	<u>–</u>	<u>1,461</u>

## 31 Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### Transactions with key management

#### *Remuneration and retirement benefits of directors*

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Income paid or payable, or otherwise made available, to directors by the entities in the Group and the Company and related parties in connection with the management of affairs of the parent entity or its controlled entities*	3,628	1,414	3,237	1,392
	<u>3,628</u>	<u>1,414</u>	<u>3,237</u>	<u>1,392</u>

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

The above remuneration includes consultancy fees and termination benefits for Mr. Saul A. Mashaal. Options were granted to Mr. Saul A. Mashaal under the SciGen Class 8 and 12, of which lapsed during the year. Compensation payable to Mr. Saul A. Mashaal for the forfeiture of the options were included in the termination benefits amounting to US\$2.7 million.

***Other transactions with directors and director-related entities***

A former director, Mr. Saul A. Mashaal, is a director and shareholder of Mashaal Enterprises Ltd. Mr. Mashaal, through Mashaal Enterprises Ltd, has provided consultancy services to the Company for several years on normal commercial terms and conditions.

Mr. Yehuda Zelig, a director of SciGen (I.L.) Ltd, has provided consultancy services to the Company on normal commercial terms and conditions.

Dr. Marian Gorecki, a director of the Company, has provided consultancy services to the Company on normal commercial terms and conditions.

Aggregate amounts of each of the above transactions with directors and their director-related entities are as follows:

	<b>Group and Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Mashaal Enterprises Ltd – Mr. Saul A. Mashaal	46	151
Mr. Yehuda Zelig	–	297
Dr. Marian Gorecki	60	60
	106	508

***Other related parties***

During the financial year, other than those disclosed elsewhere in the financial statements, there were the following significant transactions carried out in the normal course of business with related parties:

	<b>Group and Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Holding company</b>		
Purchase of goods	3,206	4,815

## Shareholder information

The shareholder information set out below was applicable as at 28 February 2010.

### On-market buy-back

There is no current on-market buy-back.

### Distribution of equity securities

Analysis of numbers of equity securities by size of holding:

			Ordinary shares	
			No. of Shares	No. of shareholders
1	–	1,000	63,496	121
1,001	–	5,000	257,074	103
5,001	–	10,000	484,693	62
10,001	–	100,000	7,504,703	209
100,001 and over			543,960,354	58
			552,270,320	553

There were 156 holders of less than a marketable parcel of ordinary shares.

### Equity security holders

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

		Ordinary shares	
		Number held	Percentage of issued shares
1	BIOTON S.A.	500,026,507	90.54%
2	ANZ NOMINEES LIMITED	29,816,588	5.40%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,877,129	0.34%
4	MR BERNARD STAUNTON <THE STAUNTON SUPER A/C>	1,107,000	0.20%
5	DR ANDREW TAN	597,455	0.11%
6	BEDEL & SOWA CORP PTY LTD	500,000	0.09%
7	MR CHARLES BRUCE LEIBOWITZ	476,486	0.09%
8	MR RAYMOND JOHN GASKELL	457,500	0.08%
9	R MALA PTY LTD <SUPERFUND A/C>	450,000	0.08%
10	TRUGANINI PTY LTD	449,538	0.08%
11	MR PAUL ANTHONY OCKELFORD	374,943	0.07%
12	DANKAB PTY LTD <DANKAB P/L SUPER FUND A/C>	300,000	0.05%
13	MR RONALD JAMES WITNEY	285,000	0.05%
14	RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	255,732	0.05%
15	MR ARTHUR MORRIS & MRS RAEWYN MORRIS & MR CHRIS HOCQUARD <THE NILOC A/C>	225,000	0.04%

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>Percentage of issued shares</b>
16 MR MARK CHAPMAN	224,399	0.04%
17 MR ANTHONY RONALD BIERRE	214,943	0.04%
18 MR BRUCE KENNETH LOCKETT & MR ROGER MICHAEL KENNEDY & MR CYNRIC REX TEMPE-CAMP <MRS ELAINE TEMPE-CAMP A/C>	209,225	0.04%
19 DINABLE PTY LTD <EBERHARD SUPER FUND A/C>	208,580	0.04%
20 MR IAN PONTON & MRS SALLY PONTON <PONTON FAMILY SUPERFUND A/C>	205,000	0.04%
	<b>538,261,025</b>	<b>97.46%</b>

#### **Substantial shareholders**

Substantial holder in the Company is set out below:

	<b>Number held</b>	<b>Percentage of issued shares</b>
Ordinary shares: Bioton S.A.	500,026,507	90.54%

#### **Voting rights**

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

(a) Voting 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.