

Preliminary Final Report of SciGen Limited for the Financial Year Ended 30 June 2005.

(ABRN 101 318 852)

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

Current Reporting Period: Financial Year ending 30 June 2005

Previous Corresponding Period: Financial Year ending 30 June 2004

SCIGEN LIMITED

APPENDIX 4E – PRELIMINARY FINAL REPORT

Results For Announcement To The Market For the Financial Year Ended 30 June 2005

Revenue and Net Loss

		Percentage Change %		Amount S\$ '000
Revenue from ordinary activities	Up	19%	To	7,695
Loss from ordinary activities after tax attributable to members	Up	29%	To	(5,562)
Net Loss for the period attributable to members	Up	29%	To	(5,562)

Revenue

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

- The registration of its Recombinant Human Insulin and Human Growth Hormone products and the marketing of these products in India.
- The continued establishment of the Company and its products in territories resulting in increases in market share for Human Growth Hormone and Human Insulin.

Net Loss

The increased loss was attributable to several items including termination benefits of S\$779,000 payable to the former Chief Executive Officer (CEO) in accordance with his employment contract, increased professional fees of S\$261,000 in relation to the project study for a manufacturing facility in Singapore and increases in insurance premiums.

Dividend

The company does not propose any dividend for the year.

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APPENDIX 4E – PRELIMINARY FINAL REPORT

Consolidated Statement of Financial Performance
For the Financial Year Ended 30 June 2005

	<u>Note</u>	<u>2005</u> <u>S\$ '000</u>	<u>2004</u> <u>S\$ '000</u>
Revenue from ordinary activities	2(a)	7,695	6,479
Changes in inventories		66	(125)
Purchases		(2,725)	(2,317)
Employee benefits expense		(5,444)	(4,089)
Depreciation & amortisation expenses		(350)	(286)
Borrowing costs		(11)	(21)
Professional & consultancy fees		(1,006)	(564)
Business development expenses		(1,662)	(1,521)
Insurance premiums		(357)	(156)
Rental expenses		(348)	(337)
Administrative expenses		(782)	(646)
Other expenses from ordinary activities		(638)	(728)
Loss From Ordinary Activities Before Income Tax Expense		(5,562)	(4,311)
Income tax expense relating to ordinary activities		-	-
Loss From Ordinary Activities After Related Income Tax Expense		(5,562)	(4,311)
Total Changes in Equity not resulting from transactions with owners as owners		(5,562)	(4,311)
<i>Earnings per security (EPS)</i>		(S ¢)	(S ¢)
<i>Basic EPS</i>		(1.2473)	(1.0289)
<i>Diluted EPS</i>		(1.2473)	(1.0289)

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APPENDIX 4E – PRELIMINARY FINAL REPORT

Consolidated Statement of Financial Position
As at 30 June 2005

	<u>Note</u>	<u>2005</u> <u>S\$ '000</u>	<u>2004</u> <u>S\$ '000</u>
Current Assets			
Cash Assets		15,430	9,555
Receivables		1,698	1,475
Inventories		532	466
Other		603	621
Total Current Assets		<u>18,263</u>	<u>12,117</u>
Non-Current Assets			
Property, plant & equipment		315	191
Intangibles	4	23,208	22,557
Total Non-Current Assets		<u>23,523</u>	<u>22,748</u>
Total Assets		<u>41,786</u>	<u>34,865</u>
Current Liabilities			
Payables		2,700	2,238
Provisions		718	419
Total Current Liabilities		<u>3,418</u>	<u>2,657</u>
Non-Current Liabilities			
Payables		422	429
Total Non-Current Liabilities		<u>422</u>	<u>429</u>
Total Liabilities		<u>3,840</u>	<u>3,086</u>
Net Assets		<u>37,946</u>	<u>31,779</u>
Equity			
Contributed equity & reserves	5	65,142	53,413
Accumulated losses	6	(27,196)	(21,634)
Total Equity		<u>37,946</u>	<u>31,779</u>

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APPENDIX 4E – PRELIMINARY FINAL REPORT

Consolidated Statement of Cash Flows
For the Financial Year Ended 30 June 2005

	<u>Note</u>	<u>2005</u> <u>S\$ '000</u>	<u>2004</u> <u>S\$ '000</u>
<i>Cash Flows From Operating Activities</i>			
Receipts from customers		6,556	5,432
Payments to suppliers and employees		(10,587)	(10,383)
Interest received		362	307
Interest paid		(11)	(21)
Other expense		(3)	-
<i>Net cash outflows from operating activities</i>		<u>(3,683)</u>	<u>(4,665)</u>
<i>Cash Flows From Investing Activities</i>			
Repayment of loans by related parties		18	3
Payment for property, plant and equipment		(224)	(81)
Proceeds from sales of property, plant and equipment		(1)	-
Payment for intangible assets		(1,964)	(3,071)
<i>Net cash inflows from investing activities</i>		<u>(2,171)</u>	<u>(3,149)</u>
<i>Cash Flows From Financing Activities</i>			
Proceeds from issues of equity securities		11,729	-
<i>Net cash outflows from financing activities</i>		<u>11,729</u>	<u>-</u>
<i>Net Increase/(Decrease) in Cash Held</i>		5,875	(7,814)
<i>Cash At The Beginning Of The Financial Year</i>		<u>9,555</u>	<u>17,369</u>
<i>Cash At The End Of The Financial Year</i>		<u><u>15,430</u></u>	<u><u>9,555</u></u>

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APPENDIX 4E – PRELIMINARY FINAL REPORT

Notes to the Consolidated Financial Statements For the Financial Year Ended 30 June 2005

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Notes to the Consolidated Financial Statements For the Financial Year Ended 30 June 2005

1. Basis of Preparation

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

The preliminary final report is presented in Singapore Dollars, which is the reporting currency of the Company.

Singapore Dollar Presentation

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

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

2. Loss from Ordinary Activities

	<u>2005</u> <u>S\$ '000</u>	<u>2004</u> <u>S\$ '000</u>
Loss from ordinary activities before income tax includes the following items of revenue and expenses:		
(a) Revenue		
Revenue from operating activities		
Sales of goods	6,800	6,172
Revenue from outside the operating activities		
Interest Income	362	307
Net foreign exchange gain	533	-
Revenue from ordinary activities	7,695	6,479
(b) Expenses		
Expenses include:		
Cost of good sold	2,659	2,442
Loss on disposal of fixed assets	9	18
Bad & doubtful debts	3	1
Net foreign exchange loss	-	62

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

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

3. Commentary on Results

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

Revenue for the year showed an increase over the prior year due to increased sales of: -

- SciTropin in Australia, India, Korea, Philippines & Singapore;
- Sci-B-Vac in Philippines; and
- SciLin in India & Pakistan.

Net loss was increased by 29% on the previous period as a consequence of several items including termination benefits of S\$779,000 payable to the former Chief Executive Officer (CEO) in accordance with his employment contract, increased professional fees of S\$261,000 in relation to the project study for a manufacturing facility in Singapore and increased in insurance premiums.

During the year registration of products were granted in the following regions (show by ✓).

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

A more comprehensive commentary on the company's performance is shown in the ASX Announcement dated 29 August 2005 which accompanies the Appendix 4E.

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4. Intangibles

	2005 <u>S\$ '000</u>
<u>Cost</u>	
At 1 July 2004	23,269
Additions	909
At 30 June 2005	<u>24,178</u>
<u>Accumulated amortisation</u>	
At 1 July 2004	(712)
Amortisation charge	(258)
At 30 June 2005	<u>(970)</u>
<u>Net Book Value</u>	
At 30 June 2005	<u><u>23,208</u></u>
<u>Net Book Value</u>	
At 30 June 2004	<u><u>22,557</u></u>

5. Contributed Equity & Reserves

	2005 <u>S\$ '000</u>
<u>Share Capital</u>	
At 1 July 2004	550
Issue of shares during the financial year	174
At 30 June 2005	<u>724</u>
<u>Share Premium</u>	
At 1 July 2004	52,863
Share premium on shares allotted during the year (after deduction of expenses of SGD86,000 for the placement of shares)	11,555
At 30 June 2005	<u>64,418</u>
<u>Contributed Equity & Reserves</u>	
As at 30 June 2005	<u><u>65,142</u></u>
<u>Contributed Equity & Reserves</u>	
As at 1 July 2004	<u><u>53,413</u></u>

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Notes to the Consolidated Financial Statements For the Financial Year Ended 30 June 2005

6. Accumulated Losses

	<u>2005</u> <u>S\$ '000</u>	<u>2004</u> <u>S\$ '000</u>
Balance at beginning of financial year	(21,634)	(17,323)
Net loss	(5,562)	(4,311)
Balance at ending of financial year	<u>(27,196)</u>	<u>(21,634)</u>

7. Earnings Per Share

	<u>2005</u> <u>(S¢ per</u> <u>share)</u>	<u>2004</u> <u>(S¢ per</u> <u>share)</u>
Basic EPS	(1.2473)	(1.0289)
Diluted EPS	(1.2473)	(1.0289)

8. Net Tangible Asset Per Share

	<u>2005</u> <u>(S¢ per</u> <u>share)</u>	<u>2004</u> <u>(S¢ per</u> <u>share)</u>
Net tangible assets per share	3.3052	2.2012

9. New Controlled Entity

On 18 April 2005, SciGen established a wholly-owned subsidiary company, SciGen (IL) Limited, in Yavne, Israel to undertake the manufacturing of SciGen's third generation hepatitis B vaccine Sci-B-Vac™. The facility in Israel will not only provide for an earlier re-entry of Sci-B-Vac™ into the market, but will continue to operate after the Indian facility comes on line, so as to provide a back-up facility for the supply of the product. SciGen (IL) Limited's net loss during the financial year amounted to S\$89,000.

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10. Segment Information

Segment Revenues

	External Sales		Inter-Segment		Total	
	2005 S\$ '000	2004 S\$ '000	2005 S\$ '000	2004 S\$ '000	2005 S\$ '000	2004 S\$ '000
<i>Singapore</i>	536	379	2,399	2,214	2,935	2,593
<i>Australia</i>	2,743	2,562	-	-	2,743	2,562
<i>India</i>	816	80	-	-	816	80
<i>Korea</i>	1,684	1,438	-	-	1,684	1,438
<i>Pakistan</i>	603	507	-	-	603	507
<i>Vietnam</i>	(51)	755	-	-	(51)	755
<i>Others</i>	469	451	-	-	469	451
Total of all segments					9,199	8,386
Eliminations					(2,399)	(2,214)
Interest income and foreign exchange gains					895	307
Revenue from ordinary activities					7,695	6,479

Segment Results

	2005 S\$ '000	2004 S\$ '000
<i>Singapore</i>	1,328	1,084
<i>Australia</i>	479	692
<i>India</i>	75	3
<i>Korea</i>	15	(353)
<i>Pakistan</i>	111	89
<i>Vietnam</i>	(397)	(47)
<i>Others</i>	(361)	(539)
Total of all segments	1,250	929
Eliminations	-	-
Unallocated	(6,812)	(5,240)
Loss from ordinary activities before income tax expenses	(5,562)	(4,311)
Income tax expense relating to ordinary activities	-	-
Net Loss	(5,562)	(4,311)

Due to errors in elimination of inter-company sales, the inter-segment revenue for Singapore in 2004 was understated by S\$1,067,000. This error also affected the segment results for Singapore and Korea by the same amount. The error has been corrected by restating each of the affected segment information line items for the prior year.

11. Other Significant Information

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

- a. Entering into a strategic investment relationship

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Notes to the Consolidated Financial Statements For the Financial Year Ended 30 June 2005

SciGen has reached an agreement to place 24% of the Company's equity at 7 cents per share with Bioton SA, a leading biotechnology company in Poland. The placement is expected to lead to a closer working relationship in the areas of research & development, marketing and manufacturing. The transaction was completed by 5 May 2005 and the net proceeds amounted to S\$11,729,000.

b. Hepatitis B vaccine enters European market

SciGen has entered into an agreement with leading European biotechnology company Berna Biotech AG to be SciGen's exclusive distributor for Sci-B-Vac™ in Western Europe. SciGen's entry into the European market has been made possible as a consequence of SciGen acquiring worldwide rights to Sci-B-Vac™, its third generation hepatitis B vaccine.

c. Development of a therapeutic Hepatitis B Vaccine

SciGen had signed an exclusive agreement for the development of a new therapeutic Hepatitis B Vaccine with Intercell AG, a Vienna-based biotechnology company. A therapeutic vaccine providing cure for Hepatitis B would significantly reduce the burden of the disease and meet a high medical demand in an attractive market.

d. Temporary interruption of supply of Hepatitis B Vaccine

As a result of the renegotiation of the licence for Hepatitis B Vaccine in which SciGen took over the manufacture of the vaccine and gained new markets & rights for the further development of the vaccine, there was a temporary interruption and supply of Hepatitis B Vaccine during the financial year. The Company responded immediately to the situation by setting up the wholly owned manufacturing plant in Israel to fast track the production of Hepatitis B Vaccine whilst at the same time, working closely with Shreya Biotech, the contract manufacturer in India to ensure the prompt re-entry of the product into the market.

12. Impacts of adopting Singapore equivalent to IFRS

As a Singapore incorporated entity, SciGen is required to prepare and present its statutory accounts in accordance with the Singapore Financial Reporting Standards ("FRSs"). FRSs are closely modelled after the International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. These Singapore equivalents to IFRSs are referred to hereafter as FRSs. As part of this process a number of new FRSs have been issued which will apply from 1 January 2005. The adoption of the new FRSs will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the ending 30 June 2006.

Most adjustments required on transition to new FRSs will be made, retrospectively, against opening retained earnings as at 1 July 2004.

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Notes to the Consolidated Financial Statements For the Financial Year Ended 30 June 2005

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using new FRSs are set out below. The expected financial effects of adopting new FRSs are shown for each line item in the statements of financial performance and statements of financial position, with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by Council on Corporate Disclosure and Governance (CCDG). Therefore, until the company adopts the new FRSs in the next financial year, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Impact on the statements of financial performance

Descriptions	Notes	Consolidated Accounts		
		Existing GAAP S\$'000	Effect of Change S\$'000	FRS S\$'000
Revenue from ordinary activities	a,b	7,695	(534)	7,161
Other income	b	-	715	715
Changes in inventories	a	66	-	66
Purchases		(2,725)	-	(2,725)
Employee benefits expense	c	(5,444)	(113)	(5,557)
Depreciation & amortisation expenses	a	(350)	(7)	(357)
Borrowing costs		(11)	-	(11)
Professional & consultancy fees		(1,006)	-	(1,006)
Business development expenses	a	(1,662)	-	(1,662)
Insurance premiums		(357)	-	(357)
Rental expenses		(348)	-	(348)
Administrative expenses		(782)	-	(782)
Other expenses from ordinary activities		(638)	-	(638)
Loss From Ordinary Activities Before Income Tax Expense		(5,562)	61	(5,501)
Income tax expense relating to ordinary activities		-	-	-
Loss From Ordinary Activities After Related Income Tax Expense		(5,562)	61	(5,501)
Total Changes in Equity not resulting from transactions with owners as owners		(5,562)	61	(5,501)

Earnings per security (EPS)

	(S ¢)	(S ¢)	(S ¢)
Basic EPS	(1.2473)	(0.0138)	(1.2336)
Diluted EPS	(1.2473)	(0.0138)	(1.2336)

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Notes to the Consolidated Financial Statements For the Financial Year Ended 30 June 2005

Impact on the statements of financial position

Descriptions	Notes	Consolidated Accounts		
		Existing GAAP	Effect of Change	FRS
		S\$'000	S\$'000	S\$'000
Current Assets				
Cash Assets		15,430	-	15,430
Receivables		1,698	-	1,698
Inventories	a	532	16	548
Other		603	-	603
Total Current Assets		<u>18,263</u>	<u>16</u>	<u>18,279</u>
Non-Current Assets				
Property, plant & equipment	a	315	7	322
Intangibles		23,208	-	23,208
Total Non-Current Assets		<u>23,523</u>	<u>7</u>	<u>23,530</u>
Total Assets		<u>41,786</u>	<u>23</u>	<u>41,809</u>
Current Liabilities				
Payables		2,700	-	2,700
Provisions		718	-	718
Total Current Liabilities		<u>3,418</u>	<u>-</u>	<u>3,418</u>
Non-Current Liabilities				
Payables		422	-	422
Total Non-Current Liabilities		<u>422</u>	<u>-</u>	<u>422</u>
Total Liabilities		<u>3,840</u>	<u>-</u>	<u>3,840</u>
Net Assets		<u>37,946</u>	<u>23</u>	<u>37,969</u>
Equity				
Contributed equity & reserves				
Contributed equity		724	-	724
Share premium		64,418	-	64,418
Share-based payments reserve	c	-	165	165
Accumulated losses	a, c	(27,196)	108	(27,088)
Foreign currency translation reserve	a	-	(250)	(250)
Total Equity		<u>37,946</u>	<u>23</u>	<u>37,969</u>

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Notes to the Consolidated Financial Statements For the Financial Year Ended 30 June 2005

Notes explaining the impacts on the statements of financial performance and statements of financial position

(a) Foreign currency translation reserve : cumulative translation differences

Under the new FRS 21 the foreign subsidiaries' balance sheet and profit and loss will be translated as follows:-

- Assets, liabilities and contributed equity will be translated using closing rates at reporting date;
- Income and expenses will be translated using the actual or average rates;
- Retained profits will be translated at cumulative average rates; and
- Exchange differences will be recognised as a separate component of equity (translation reserve).

This will result in a change to the current accounting policy, under which the foreign subsidiaries' balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, except for plant and equipment, licences, share capital and share premium which are stated at historical cost, and the foreign subsidiaries' results are translated using the average exchange rates during the financial year. The exchange differences arising on translation of foreign subsidiaries are taken to the consolidated statement of financial performance.

If the policy required under the new FRS 21 had been applied during the year ended 30 June 2005, the consolidated entity retained loss at 30 June 2005 would have been S\$273,000 lower, consolidated net loss for the year ended 30 June 2005 would have been S\$174,000 lower, and the foreign currency translation reserve of the group at June 2005 would have decreased by S\$250,000.

(b) Reclassification of other income

Under FRS, foreign exchange gains are classified as other income. This is in contrast to the current treatment under which such items are classified as revenue.

If the policy required under FRS had been applied during the year ended 30 June 2005, the consolidated revenue from ordinary activities would have been S\$715,000 lower and the consolidated other income would be S\$715,000 higher.

(c) Equity-based compensation benefits

Under FRS 102 Share-based payment, from 1 July 2004 the group is required to recognise an expense for those options that were issued to employees under the SciGen Ltd Employee Option Plan after 22 November 2002 but that had not vested by 1 January 2005.

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This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation.

If the policy required had been applied during the year ended 30 June 2005, consolidated entity retained loss at 30 June 2005 would have been S\$165,000 higher, with a corresponding increase in the share-based payments reserve. For the year ended 30 June 2005, the consolidated employee benefits expense would have been S\$113,000 higher, with a corresponding increase in the net movement in the share-based payments reserve.

13. Information on Audit or Review

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

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