# Cordlife Ltd

ABN 48 108 051 529


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

cordlife


Providing the highest quality umbilical cord blood banking services

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# **Corporate** Information

**Directors**

| | |
|---|---|
| Mr Christopher Maxwell Fullerton | - Chairman (Non-executive) |
| Mr Steven Fang (Fang Boon Sing) | - Executive Director (Chief Executive Officer) |
| Mr Christopher Ho (Ho Han Siong) | - Non Executive Director |
| Mr Alberto J. Bautista | - Non Executive Director |
| Mr Peter E. Roberts | - Non Executive Director |
| Ms Seow Bao Shuen | - Non Executive Director |
| Mr Samuel Kong (Kong Kam Yu) | - Non Executive Director |

**Chief Financial Officer**
Mr Jeremy Yee

**Company Secretary**
Mr Andrew Lord
Lovegrove & Lord
Commercial & Construction Lawyers
Level 2, 405 Little Bourke Street
Melbourne, Victoria 3000, Australia
Tel : +61 (0) 3 9600 3522

**Registered Office**
Cordlife Ltd
Level 2, 405 Little Bourke Street
Melbourne, Victoria 3000, Australia
Tel : +61 (0) 3 9642 5580

**Share Registry**
Link Market Services Ltd
Level 4, 333 Collins Street
Melbourne, Victoria 3000, Australia
Tel : +61 (0) 3 9615 9932

**Home Stock Exchange**
Australian Stock Exchange Ltd

**Auditors**
Ernst & Young
Ernst & Young Building
8 Exhibition Street
Melbourne, Victoria 3000, Australia

**Australia Legal Advisor**
Middletons
Level 25, Rialto South Tower
525 Collins Street
Melbourne, Victoria 3000, Australia

**Singapore Legal Advisor**
Alban Tay Mahtani & de Silva
39 Robinson Road
#07-01 Robinson Point
Singapore 068911

**Hong Kong Legal Advisor**
Gallant Y.T. Ho & Co.
5th Floor, Jardine House
1 Connaught Place, Hong Kong

**India Legal Advisor**
Khaitan & Co.
Advocates, Notaries, Patent & Trademark Attorneys
Emerald House
1B Old Post Office Street
Kolkata 700001, India

**China Legal Advisor**
Boss & Young Attorneys at Law
11th Floor, China Merchants Tower
161 Lujiazui Road East
Shanghai, 200120, P.R. China

**Indonesia Legal Advisor**
DNC
The Landmark Centre
Tower B, Floor 8
Jln Jend. Sudirman No 1
Jakarta 12910, Indonesia

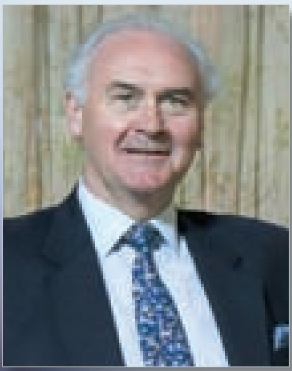
# **Mission** Statement

Cordlife is a healthcare company focused on umbilical cord blood banking.

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

We have an experienced Board and Management team.

# Chairman's Review



***Dear Shareholders***

In last year's review I advised that, following a thorough review of our various businesses, Cordlife would, in future, focus management and financial resources on our core revenue-generating cord blood banking businesses. Against a background of strong growth, we successfully disposed of or discontinued all non-core activities. Your Company is now focused solely on umbilical cord blood banking services.

Our cord blood banking businesses enjoyed another outstanding year. Revenue from services rendered increased by 53% over the previous year, with annuity revenue, in the form of annual storage charges, increasing by more than 172%. Number of clients signed up during the year increased by over 47% compared to the previous year and, currently, Cordlife's total client numbers exceed 11,000. We are confident that this pattern will continue, with organic growth boosted by sales from our newly established ventures in the high population markets of Indonesia and India.

Our joint venture with Kalbe Farma, Indonesia's largest pharmaceutical company, recently commenced operations, and our cord blood processing and storage facility in Kolkata is near completion.

A key focus for management this year is to ensure that each of our country based operations is appropriately resourced and, by the close of the year, operating on a cash flow positive basis. Further, we continue to actively seek opportunities in the Asia Pacific region and, in particular, China.

In late June, the Company raised approximately $8 million from a share placement to China Stem Cells (East) Company Ltd ("CSC"), an operator of cord blood banking businesses in China. This relationship has both financial and strategic implications for Cordlife, and we are currently discussing mutually beneficial opportunities with CSC.

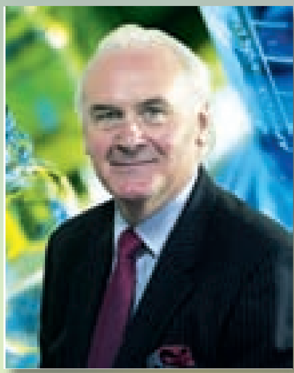
The successful disposal and closure of our non-core businesses placed considerable pressure on our management team. However, they performed very well, managing to grow our core businesses while continuing to establish major new operations in Indonesia and India.

Again, I wish to acknowledge the role of my fellow non-executive directors and thank them for their valuable contribution during such a challenging year.

The improved share price has provided some reward for our shareholders, and we remain confident that our revised strategic and operational focus will, over time, be reflected in further growth in shareholder value.

Chris Fullerton
Chairman

# Board of Directors



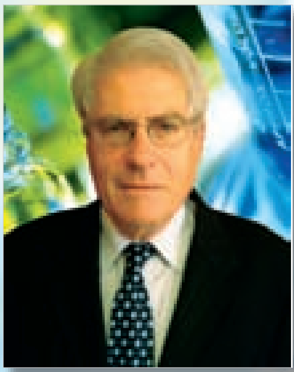
**Mr Christopher Fullerton**
Chairman
*BEc*

**Mr Steven Fang**
(Fang Boon Sing)
Chief Executive Officer
*CIM (UK), MBA*

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

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

**Ms Seow Bao Shuen**
Non-Executive Director
*BA (Econ)*



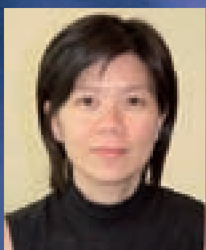
**Mr Peter E. Roberts**
Non-Executive Director
*BEc, FCA*

**Mr Samuel Kong**
(Kong Kam Yu)
Non-Executive Director
*ACA*

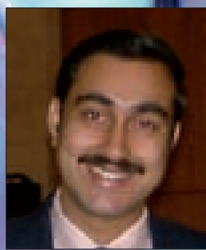
# **Management** Team

**Chief Executive Officer**
Mr Steven Fang

**Chief Financial Officer**
Mr Jeremy Yee



**Group General Manager**
Ms Susan Kheng



**Group Financial Controller**
Mr Arijit Mookerjee

**Corporate Development Director**
Mr Simon Lee

**Investment Management Officer**
Mr Ian Brown

**Senior Corporate Finance Manager**
Mr Simon Hoo

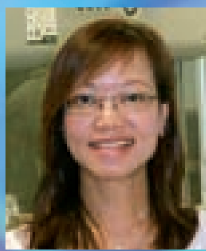
**Group Business Development Manager**
Ms Gwendolene Yeo



**Business Development Manager (Technical)**
Mr Jonathan Liau

**Country Head Singapore**
Ms Stella Lee

**Country Head Australia**
Dr Mark Kirkland



**Country Head Hong Kong**
Ms Emily Cheung

**Country Head Indonesia**
Mr Robert Dharmasaputra

**Country Head India**
Mr Meghnath Roy Chowdhury

**Country Head Thailand**
Ms Yuparatana Pimthepa

**Country Head Phillippines**
Mr Jose Salindong

# **Growing** with Cordlife

People define this company. From different walks of life, from different parts of the world, we came together as a team to build Cordlife. We are in the business of helping safeguard the future well being of little children. We wish to share with you a very personal glimpse of our own childhood and wish that we too had the opportunity to store our own cord blood.

**Mr Steven Fang, Chief Executive Officer**

"I started Cordlife in 2001 and later stored my youngest daughter's cord blood in Singapore because we were the best in this business. I wish I had the opportunity to store my own cord blood. The highly committed people that came my way helped take the company public and now forges a new chapter to take us global. As the CEO and key founding shareholder, I could not have asked for a better team and we stand ready to see Cordlife through its next phase of growth."

**Mr Arijit Mookerjee, Group Financial Controller**

"I joined Cordlife in June 2004, a week before its IPO on the ASX. The growth in business that I have witnessed has been phenomenal. From a new client sign up figure of a mere 38 in June 2004, we grew to 682 new clients signed up in June 2007, an astonishing increase!! I'm proud to be associated with this company and the wonderful people of various nationalities here and eagerly look forward to the launch of our Indian facility soon."

**Mr Simon Hoo, Senior Corporate Finance Manager**

"Cordlife has come from a small start up company to its listing in 2004 and over the last 3 years, expanded its operations to various countries. I am privileged to be part of these exciting years but more importantly, the Cordlife family. Today, we are excited to bring the company up for the next phase of growth and to greater heights. I believe that Cordlife's future lies in operating in the various markets with this big family of great friends and colleagues."

**Ms Susan Kheng, Group General Manager**

"I have been with Cordlife now for five years - and it almost seems like yesterday. Time really flies, the work is fast paced, it's demanding. It has been a great experience. I remember back in the early days, in December 2002, when Cordlife provided the processed cord blood that was used to treat a little boy called Ryan Foo, saving his life. That was such a validation for me personally, that what we were doing was indeed something truly worthwhile."

**Mr Gwendolene Yeo, Group Business Development Manager**

"I've had the rare privilege of working with so many wonderful people from different countries, learning their cultures, their way of working, their way of living, and discovering how different and yet similar we all are. I remember the "pain" of being part of the team that went through the stringent audit process for the AABB, probably the most challenging experience of my professional life. It made achieving the rare AABB accreditation for Cordlife Singapore all the more rewarding."

**Ms Aiker Ng, Human Resources Manager**

"It has been fulfilling, challenging and enjoyable throughout my more than two years of association with Cordlife thus far. I've grown and progressed much with the company both on a personal and professional level."



**Mr Jeremy Yee, Chief Financial Officer**

"I have been with Cordlife since 2002, and of the greatest satisfaction for me has been seeing the people grow. Cordlife believes in pushing its people and promoting from within, and in making sure each person has the skills and training he needs. In just a short few years, so many have grown with the company, undertaking greater responsibilities and helping to drive the company forward."

**Mr Simon Lee, Corporate Development Director**

"One of the key moments for me these past years in Cordlife has been the setting up and the rapid growth of the Hong Kong operations. Establishing the Hong Kong office and laboratory was most satisfying, but there is much more to come. The potential of China is simply staggering, but with great rewards come great challenges. For me, China would be our greatest accomplishment."

**Ms Emily Cheung, Country Head Hong Kong**

"For the past two and a half years, I must say I have gone through the most challenging time of my life. Cordlife entered the Hong Kong market in 2005 and then there was just one competitor. Now there are three. And marketing activities have not been easy as many people have not heard of anything like this. I am very happy to see the business grow steadily. I am proud to work in a company whose goal is to help save lives."

**Ms Yuparatana Pimthepa, Country Head Thailand**

"I've been with Cordlife in Thailand for the past two years. Cordlife gave me a lot of flexibility to take care of my little boy, so I am pleased to be here. I've flown down to Singapore many times to meet the team there and to learn from them. My joy is to see our clients in the hospitals, becoming friends with them and advising them on the value of stem cells and cord blood."

**Mr Robert Dharmasaputra, Country Head Indonesia**

"Cordlife Indonesia experienced a tremendous change in this past year. In the beginning, we are just a representative office, and now we have our own lab. A big potential market, Jakarta has many challenges. Although many of the team members are relatively new, we are making good progress and striving to expand our market further. With a new lab of our own just opened, I'm looking forward to great things in Indonesia!"

# **Review** of Operations

CEO Mr Steven Fang

For the year under review, Cordlife's umbilical cord blood banking ("UCB") operations grew in both market and financial terms. Management spent part of the year implementing its strategic decision to focus on growing its core UCB banking business and the divestment of non-core businesses such as technology and distribution. This resulted in a significantly simpler business which the management team understands well and in turn has enabled the Cordlife group to set its core business on a strong growth path in key markets. The Company will also no longer incur expenditure on technologies and non-core businesses in future financial years. Cordlife now has a clear and definitive path towards achieving profitability.

On the financial front, Cordlife's cord blood banking revenue saw a 53% increase year on year, including revenue from clients' annual storage fees which grew by 172% from the previous year. Client sign ups have grown by a healthy 47% with most of that growth coming from Singapore, Hong Kong and Australia. The estimated total cord blood units stored was more than 11,000 by the end of September 2007.

## Corporate Focus

- Focus on revenue-generating UCB banking services.

- Build strong revenue growth in new markets, including Indonesia (launched in September 2007) and India (anticipated commencement of operations by end 2007).

- Build clear and definitive pathways to profitability through the review of internal operations and focus on sales productivity.

- Establish aggressive strategy to grow volume and annuities in non-exclusive markets.

- Establish volume and high margin positions in exclusive markets.

- Build the best team to implement growth strategies.

Cord blood being processed

People define the company

The Company is now able to focus on its core revenue-generating UCB banking businesses with the divestments of non-core businesses. This was achieved through the sale of its product distribution businesses and the restructuring of its technology development entities.

On the organic business front, Cordlife has grown its direct sales teams and instituted aggressive programs to grow its sign up volumes. Key areas of investment are in people, selling tools and direct marketing programs.

With the maturing of selected markets and healthy competition, there are significant opportunities for Cordlife to explore inorganic growth through M&A to acquire immediate market share, revenue and profits. A separate team has been formed to seek these opportunities with a view to supplement our organic growth in the region.


Hong Kong obtains ISO 9001:2000

# **Review** of Operations

Clients signing up at public event

The Company sold its wholly-owned subsidiary Cell Sciences Pte Ltd, a company engaged in the distribution of various medical and research products, in exchange for a 19.7% stake in DNAPro Sdn Bhd, a company registered in Malaysia and engaged in manufacturing and supply of biopharmaceutical products. DNAPro is now growing this distribution business in the region.

The Company restructured its interest in Cytomatrix, its technology venture, and completed the assignment for the benefit of creditors of Cytovations, its cell therapy products and services venture. Under the restructuring, Cytomatrix LLC (which holds the patented technologies) is now a wholly-owned subsidiary of Cytomatrix Pty Ltd, and with the signing of a Joint Venture Agreement with the Victorian Centre for Advanced Materials Manufacturing ("VCAMM"), Cytomatrix Pty Ltd will be jointly owned with VCAMM and inventors based at Deakin University and Barwon Health, Geelong. Cordlife has no further funding obligations under this new structure. This will result in a significant reduction in technology developmental cost for the Cordlife group.

During the year, the Company ceased its clinical and travel related support services business.

## Business Updates

The UCB banking business is experiencing unprecedented growth, especially from markets in which Cordlife has invested over the last 3 to 4 years. The growing demand for this service has been driven largely by the increasing acceptance and use of UCB for transplant across Asia. In particular, the media coverage of those transplants has helped drive enquiries and interest in the service.

In Asia, the Singapore, Hong Kong and Indonesia markets have continued to perform well for the group. Our competition in these markets remains relatively unsophisticated and uncoordinated, competing mostly on price.

- In September 2007, Cordlife Indonesia launched its Jakarta facility to tap into the local middle tier market to supplement its growing business for Indonesians banking their babies' cord blood in Singapore. As the first and only licensed service provider for UCB banking by the Indonesian Ministry of Health, Cordlife is in a position of strength to capture this growing market.


Official opening of Cordlife's Jakarta facility

- Cordlife Singapore moved to its new facility in October 2007 at the Galen in Science Park III, with a total floor space of almost 6,000 square feet. This is designed to house a larger and more advanced processing and storage facility and the management team, with room for expansion over the next 3 to 4 years. More importantly, the new location will result in total annual savings of more than $300,000 in direct and indirect costs. Cordlife Singapore remains the only AABB accredited private UCB banking facility in the region.

- Thailand and the Philippines continue to be small markets in terms of sales and since June 2007, both operations came under the direct supervision of the Singapore business development team.

- In August 2007, Cordlife's Hong Kong facility successfully achieved ISO 9001:2000 certification. The facility was audited for adherence to quality standards according to the 2000 version of ISO 9001, which requires the integration of quality and process management at all levels.


New facility at Science Park III

# **Review** of Operations

Cord blood being stored

In Australia, Cordlife's Biocell operations have undergone changes, with an enlarged team to compete aggressively in the local market. With a vast geographical coverage and weaker than expected clinician support for private UCB banking, the market has remained small and extremely price sensitive. Cordlife is exploring various options to grow its market share and the total market demand for its service. A strong branding exercise is also underway to position Biocell to the medical community.

Cordlife India remains on track for completion of its dedicated facility. It will be one of the most advanced facilities of its kind in India and will be one of the largest facilities in Asia. Expected to commence operations by the end of 2007, the Indian market is poised to provide much of the group's aggressive growth targets.


Architect's impression of upcoming India facility

# **Corporate Governance** Statement

The Cordlife Board of Directors (the "Board") is committed to maintaining the highest ethical standards and best practice in the area of corporate governance within the framework of the Australian Stock Exchange Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Guidelines) to ensure the Group's business is conducted in the best interests of all stakeholders.

## ASX Principle 1: Lay solid foundations for management and oversight

### *Role of the Board*

The Board is responsible to shareholders for the performance of the Group and for the overall corporate governance of Cordlife. This role encompasses the determination of Cordlife's goals and strategic direction and ensures timely and accurate communications to shareholders. The Board has established policies in respect of Board responsibilities and delegations of authority for the appropriate management of the Group's operations. The Board has developed management policies and procedures addressing statutory financial reporting, Board and management financial reporting and controls, information technology security, management and staff performance reviews and remuneration and internal controls for business risk management. The Board continues to develop management policies and procedures. The Board is responsible for appointing the Chief Executive Officer and reviewing his performance. The Chief Executive Officer is responsible for the overall implementation and management of the policies and strategies established by the Board.

## ASX Principle 2: Structure the Board to add value

### *Board Composition*

The Board is currently composed of one Executive and six Non-executive directors. Cordlife's Constitution specifies that the number of directors shall not be less than three. At present the Board consists of:

| | |
|---|---|
| Mr Christopher Maxwell Fullerton | Chairman (Non-executive) |
| Mr Steven Fang (Fang Boon Sing) | Executive Director (Chief Executive Officer) |
| Mr Christopher Ho (Ho Han Siong) | Non-executive Director |
| Mr Alberto J. Bautista | Non-executive Director |
| Mr Peter E. Roberts | Non-executive Director |
| Ms Seow Bao Shuen | Non-executive Director |
| Mr Samuel Kong (Kong Kam Yu) | Non-executive Director |

Cordlife's policy governing Board composition requires the Chairman to be an independent Non-executive director and requires the Board to strive to have a majority of the Board to be independent Non-executive directors. In assessing independence, the Board has regard to the ASX Guidelines and the independence of each director is monitored by the Board on an ongoing basis in light of disclosed interests. As at the date of this annual financial report the Board has determined that all Cordlife directors are independent, other than Mr Steven Fang. The Board strives to ensure its composition includes an appropriate mix of expertise and experience relevant to Cordlife's business activities conducive to making expedient decisions in the best interests of the Company. The relevant skills, experience and expertise of each Board member is set out in the Directors' Report. The Board recognises the importance of each director bringing independent judgment to bear in the Board's decision making process. Accordingly, all directors have access to independent professional advice at the Company's expense with the approval of the Chairman.

# **Corporate Governance** Statement

***Board Committees***

Three Board committees facilitate the execution of the Board's responsibilities:

*Audit Committee*

The members of the Audit Committee ("AC") during the year ended 30 June 2007 were Mr Peter Roberts (Chairman, appointed on 27 February 2007), Mr Christopher Ho, Ms Seow Bao Shuen (appointed on 27 February 2007), Mrs Eileen Tay (resigned on 27 November 2006) and Mr Alberto Bautista (resigned on 27 February 2007). The AC currently has three members.

The main objectives of the AC are to assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to:

- reporting of financial information to users of our financial report;
- application of accounting policies;
- financial management;
- internal control system;
- risk management system;
- business policies and practices;
- protection of the entity's assets; and
- compliance with applicable laws, regulations, standards and best practice guidelines.

Two AC meetings were held during the above period and details of attendance are set out in the Directors' Report.

*Nomination Committee*

The members of the Nomination Committee ("NC") during the year ended 30 June 2007 were Mr Christopher Fullerton (Chairman), Mr Christopher Ho, Mr Alberto Bautista (appointed on 27 November 2006) and Mrs Eileen Tay (resigned on 27 November 2006).

The primary purpose of the NC is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is appropriately structured and comprised of individuals who are best able to discharge the responsibilities of directors.

Two NC meetings were held during the above period and details of attendance are set out in the Directors' Report.

*Remuneration Committee*

The members of the Remuneration Committee ("RC") during the year ended 30 June 2007 were Mr Alberto Bautista (Chairman), Mr Christopher Fullerton and Mr Steven Fang.

The Board is responsible to shareholders for ensuring that the Group:

- has coherent remuneration policies and practices which are observed and which enable it to attract and retain executives and directors who will create value for shareholders;
- fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general pay environment; and
- complies with the provisions of the ASX Listing Rules and Corporations Act.



# **Corporate Governance** Statement

The primary purpose of the RC is to support and report to the Board in fulfilling these responsibilities to shareholders in relation to:

- executive remuneration policy;
- the remuneration of executive directors;
- the remuneration of direct reports to the Chief Executive Officer, and as appropriate other senior executives; and
- all equity based plans.

One RC meeting was held during the above period and details of attendance are set out in the Directors' Report.

*Other Committees*

Additional sub-committees are established by the Board on an as needs basis from time to time to monitor specific transactions and projects of the Group.

**ASX Principle 3: Promote ethical and responsible decision-making**

***Ethical Standards and Compliance***

Cordlife prescribes ethical standards for employees for professional conduct, dealings with the business community, the public and with other employees. The Group has adopted policies and guidelines in the context of both the applicable legislation and accepted community standards. The Board has determined not to implement a separate code of conduct in respect of these matters, but rather to articulate the Group's requirements for standards of conduct in individual policies dealing with relevant issues including confidentiality, conflicts of interest, fraud risks, employee discrimination and harassment and trading in Company securities.

***Trading of Company Securities by Directors and Employees***

The Board considers that if directors, employees and their associates acquire shares in Cordlife, these shares should be held for longer term investment and not for speculative or trading purposes. Group policy prohibits the trading of Company securities by directors and employees whilst in possession of price sensitive information.

Cordlife has developed guidelines for directors and employees which provide a basic explanation of what constitutes insider trading and Cordlife's policy to prevent it, including:

- a description of what conduct may constitute insider trading;
- a description of the times when it may be appropriate, as a general rule, to refrain from buying or selling Cordlife securities; and
- the process for buying or selling Cordlife securities.

**ASX Principle 4: Safeguard integrity in financial reporting**

In addition to the established function of the Audit Committee described above, the Board has implemented management financial reporting requirements. The Board requires the provision of written assurances in respect of the accuracy and compliance of Group's financial reports by the Chief Executive Officer and the Chief Financial Officer as part of the management sign-off process for the half year and full year Group financial statements.

# **Corporate Governance** Statement

**ASX Principle 5: Make timely and balanced disclosure**

As a public listed company, Cordlife is required to comply with ASX Listing Rules continuous disclosure obligations, as complemented by the Corporations Act disclosure requirements. Cordlife has established a written policy relating to continuous disclosure. The policy establishes Cordlife's principal disclosure obligations and the consequences of failure to disclose information, provides practical assistance in assessing when matters may require disclosure by using qualitative and quantitative tests of materiality and describes the process to be followed in identifying potentially discloseable information, reporting it internally and, if required, disclosing it to the ASX.

**ASX Principle 6: Respect the rights of shareholders**

***Role of Shareholders***

The Board aims to ensure that all shareholders are informed of all major developments affecting the Company and seeks to maintain a strong and participatory framework for shareholder relations.

The principal method of communicating to shareholders is through the Company's Annual Report, which is issued to all shareholders and posted on the Company's website. Company announcements are posted on the Company website and shareholders can register through the website to receive notification of all announcements. In addition, through the Company's AGM, shareholders can participate by attending the meeting.

The Company's website is continuously reviewed and updated, having regard to the ASX Guidelines to promote communications with shareholders.

***Company Auditor***

Ernst & Young was re-appointed as Cordlife's external auditor for the reporting period from 1 July 2006 to 30 June 2007. Ernst & Young has regular interface with the Audit Committee and is given the opportunity to meet with Cordlife directors without management in attendance. The Company's audit partner will attend Cordlife's AGM.

**ASX Principle 7: Recognise and manage risk**

***Risk Management***

The risks associated with Cordlife's business are wide ranging and include the following:

- complex government and health regulations which are subject to change; and
- significant level of funding required over a long period of time

The consideration and approval by the Board each year of the Group's strategy, business plans and financial budgets involve identification of significant risks and the implementation of appropriate strategies to deal with them. The Board also requires management reporting against projected results. The Board receives monthly reports by management on the Group's financial performance and business development activities.



# **Corporate Governance** Statement

The Board has delegated responsibility for the maintenance and review of policies and procedures on risk oversight and management to the Chief Executive Officer. The Board has developed a policy which requires written assurances from the Chief Executive Officer and the Chief Financial Officer to the effect that:

- statements in accordance with the ASX Guidelines, given in respect of the integrity of financial statements, are founded on sound systems of risk management and internal compliance and control which implement the policies adopted by the Board; and
- the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### ASX Principle 8: Encourage enhanced performance

The Board has committed to future annual reviews of its performance, both individually and collectively, as well as annual reviews of key Group management against both measurable and qualitative indicators.

The Group's Human Resources Management Plan encompasses a structured training and development program for all employees including management, which is directly aligned to achieving the Group's business objectives.

### ASX Principle 9: Remunerate fairly and responsibly

The Board has set-up a Remuneration Committee to support it in fulfilling its responsibilities on matters pertaining to the remuneration of the Board, management and employees as described under Principle 2 above. Remuneration for Group employees, including management, is determined by reference to market rates and includes performance-based incentives. All employees are eligible to participate in the Group Options and Performance Rights Plan.

Particulars of remuneration of the directors and each of the five highest paid executives of the Group for the year ended 30 June 2007, including all monetary and non-monetary components, are set out in the Directors' Report.

#### ***Remuneration of Non-executive Directors***

Remuneration of Non-executive directors is determined in aggregate by shareholders in general meeting. The Board of Directors determines individual fees within the aggregate level, having regard to the number of directors and their respective roles and responsibilities. Particulars of the remuneration of each Cordlife Non-executive director for the year ended 30 June 2007, including all monetary and non-monetary components, are set out in the Directors' Report.

### ASX Principle 10: Recognise the legal rights of stakeholders

The Board is committed to delivering maximum share value to the Company's shareholders while maintaining high standards of employment, full compliance with relevant legislation, actively contributing to the betterment of the community, and meeting the Company's responsibilities to all stakeholders. The Board and management recognise the importance of acting promptly to correct any deficiencies that may be identified before such deficiencies adversely impact upon the performance of the Group.

# **Directors'** Report

The directors of Cordlife Ltd (the "Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

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

| Name | Particulars |
|---|---|
| Christopher Maxwell Fullerton BEc | Chairman (non-executive). Mr Fullerton is the Managing Director of Mandalay Capital Pty Ltd, an investor in listed securities and private equity. He has extensive experience in investment, management and investment banking and worked in Hong Kong and Singapore for 15 years before returning to Australia in 1992. He holds a Bachelor of Economics degree from Sydney University and qualified as a Chartered Accountant. His previous chairmanships include Health Communication Network Ltd (a developer and distributor of healthcare software applications), Crossfield InTech (a development capital investor focusing on the IT sector) and Standard Chartered Australia. His previous directorships include the Federal Airports Corporation.<br><br>During the past three years, Mr Fullerton held/ holds directorships in the following other listed companies - Health Communication Network Ltd, The Environmental Group Ltd and Working Systems Solutions Ltd. |
| Steven Fang (Fang Boon Sing) CIM (UK), MBA | Executive Director and Chief Executive Officer. Mr Fang founded Cordlife Pte Ltd in Singapore in 2001 and negotiated the merger with Cytomatrix LLC, leading to the establishment of Cordlife Ltd (formerly Cygenics Ltd). He has great depth of knowledge of the healthcare provider business, with over 15 years of sales and business development experience in the USA and Asia Pacific region. He previously worked for Sterling Withthrop, Baxter and Becton Dickinson, having undertaken business development assignments in Malaysia, Korea, Taiwan and the Philippines, including the establishment of private dialysis centers. At Becton Dickinson he was the General Manager for Singapore, Malaysia and Vietnam. He has a degree in Computer Engineering and completed his MBA with the University of Hull (UK) in business strategy. He is currently a council member of the Singapore British Business Council and International Enterprise Singapore's Action Community for Entrepreneurship – Internationalisation Action Crucible (IAC). He was previously also the Chairman of Bio Singapore and the President of Spirit of Enterprise (Singapore). |



# **Directors'** Report

| Name | Particulars |
|---|---|
| Christopher Ho (Ho Han Siong)<br>BSEE | Non-Executive Director. Mr. Ho is Vice-President for Investments in his family investment companies (the Tai Tak Group), namely Providence Investments Pte Ltd and Tai Tak Securities Pte Ltd for the last 10 years. The investments include both Private Equities and Public Equities. In 1989, he graduated from the University of Wisconsin at Madison, USA with a double degree in Computer Engineering and Computer Science. He has since co-founded two IT companies, which are spin-offs from a Singapore Government R&D research institute. |
| Alberto J. Bautista<br>BSIE, MBA (MIT) | Non-Executive Director. Mr Bautista has over 30 years experience in the healthcare field. For 27 of those years, he was a senior executive with Baxter International, a global leader in medical devices and biopharmaceuticals. From 1997 to 2001, he was President of Baxter Healthcare Asia based out of Singapore and from 2001 until his retirement in 2003 he was based in Tokyo, Japan where he shared responsibility for Baxter's largest revenue (over US$300 Million) and most profitable Renal business in the world. Currently, Mr. Bautista is a Healthcare sector partner for 3i, a leading London-based private equity firm. Prior to his appointment as 3i's Asia-based Healthcare partner, Mr. Bautista founded and ran a healthcare consulting practice in Singapore that focused on small to medium sized companies in the life science, medical device and biotech space. Mr. Bautista graduated with a Bachelors degree in Industrial Engineering ('magna cum laude') and holds a Masters in Management degree from the Sloan School of the Massachusetts Institute of Technology. |
| Seow Bao Shuen<br>BA (Econ) | Non-Executive Director appointed on 1 February 2007. Ms Seow has more than 10 years of management experience in strategic formulation, business development and the implementation of management policies. She was previously a director in Citiraya Industries Ltd, before forming a venture capital fund, BS Fund Management, and property investments group, BS Capital. She is currently Managing Director of Cimelia Resource Recovery Pte Ltd, an electronic waste recycling and precious metals refinery leader. She also sits on the board of Singapore stock exchange listed company Enviro-Hub Holdings Ltd.<br><br>During the past three years, Ms Seow held/ holds directorships in the following other listed companies - Citiraya Industries Ltd and Enviro-Hub Holdings Ltd. |

# Directors' Report

| Name | Particulars |
|---|---|
| Peter Evan Roberts<br>BEc, FCA | Non-Executive Director appointed on 1 February 2007. Mr Roberts has more than 35 years experience in business. Currently, he is the Managing Director of Jennmar Australia Pty Ltd, a privately owned manufacturing enterprise, and a non-executive director of IMD Group Ltd, a company listed on the ASX. His previous experience includes 21 years with PricewaterhouseCoopers, Chartered Accountants; 12 years as a partner. He holds a Bachelor of Economics degree from Sydney University and is a Fellow of the Institute of Chartered Accountants of Australia.<br><br>During the past three years, IMD Group Ltd represented the other listed company directorship held by Mr Roberts (he is currently a director in this company). |
| Samuel Kong (Kong Kam Yu)<br>ACA | Non-Executive Director appointed on 10 July 2007. Mr Kong graduated from the Imperial College of London in 1992 and qualified as a Chartered Accountant from the Institute of Chartered Accountants of England and Wales in 1995. He has worked for a number of accounting firms, including a leading international accounting firm before joining a listed healthcare group in Hong Kong 2001. He is currently responsible for the listed group's finances, corporate projects and company secretarial matters. |
| Eileen Tay (Tan Bee Kiew)<br>BAcc (Hons), FCPA (Australia), FCPA (Singapore), FCIMA (UK) | Non-Executive Director resigned on 28 November 2006. Mrs Tay has 29 years experience in the public accounting field. She was a Partner of KPMG Singapore. Her professional work has included audit, tax, due diligence, public listing, business advisory, mergers and acquisitions as well as share valuation and receivership. Significant clients included listed companies, banks, financial institutions, shipping, trading, manufacturing and property companies as well as life and general insurance companies. She is also an Independent Director and the Chairperson of the Audit Committee of a listed company in the telecommunications industry. She holds an Honours Degree in Accountancy from the University of Singapore. She is also a Fellow of the Institute of Certified Public Accountants of Australia, a Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of the Chartered Institute of Management Accountants, UK.<br><br>During the past three years, Mrs Tay held/ holds directorships in the following other listed companies – Mediaring Ltd and Lifestyle Communities Ltd (formerly Namberry Ltd). |



# **Directors'** Report

| Name | Particulars |
|---|---|
| Ian David Brown<br>MBA, FAICD, FAIM | Executive Director resigned on 1 February 2007. Mr Brown has extensive technology commercialisation experience both nationally and internationally. Previously, Ian held executive management positions with Chromogenix AB (Kabi Pharmacia) while based in Sweden and Instrumentation Laboratory SpA while based in Italy. His executive experience includes private and public capital raisings, mergers and acquisitions and corporate restructuring. He has a Master of Business Administration and is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management. |

### Company secretary

The Company Secretary, Mr Andrew Lord (BSc, LLB), was appointed on 16 April 2004. He is a member of the Law Institute of Victoria and is admitted as a Barrister and Solicitor to the High Court of Australia and the Supreme Court of Victoria. He is a principal of Lovegrove and Lord, Commercial & Construction Lawyers. He is an independent contractor of the Company and invoices the Company from time to time based on hours worked on an hourly rate.

### Corporate information

*Corporate structure and principal activities*

Cordlife Ltd is a company limited by shares, incorporated in Australia and operating in Australia and Asia. Cordlife Ltd is the ultimate holding company of the Group. The shares of the Company are publicly traded on the Australian Stock Exchange.

The Company and its controlled entities' ("consolidated entity") principal activities in the course of the financial year were providing services, devices and facilities for storing and developing applications for adult stem cells and their related therapies. The consolidated entity was also engaged in the manufacture, distribution and trading of research products and medical equipment as well as clinical and travel related support services business. During the financial year, the Company made strategic decisions to restructure its technology venture, complete the assignment for the benefit of creditors of its research products venture, cease its clinical and travel related support services business and dispose of its product distribution business. Accordingly, cord blood banking will be the only operating business of the consolidated entity in the financial year ending 30 June 2008.

*Employees*

The consolidated entity employed 84 employees as at 30 June 2007 (2006: 95 employees).

### Operating and financial review

The Company continued to grow significantly in its core business of cord blood banking in the year ended 30 June 2007. During the year, the Company made strategic decisions to:

- focus on revenue generating cord blood banking services;
- restructure Cytomatrix, its technology venture, to bring in partners and their respective technologies;
- complete the assignment for the benefit of creditors of Cytovations, its cell therapy products and services venture;

# **Directors'** Report

- cease its clinical and travel related support services business carried out by CLS Services; and
- dispose of its product distribution business carried out by Cell Sciences.

Accordingly, cord blood banking will be the only operating business of the Company in the financial year ending 30 June 2008, with the Company's technology being held through an associated company.

Net loss for the year attributable to members of $20,600,000 (2006: $6,603,000) includes loss from discontinued operations after tax of $15,173,000 (2006: $3,638,000) (including write-down of investment in associated company of approximately $12 million). These losses will not recur in future financial years. Loss from continuing operations after tax attributable to members was $5,427,000 (2006: $2,965,000). The higher loss from continuing operations in the current year despite increase in revenue was largely due to higher marketing costs incurred to develop and grow the existing cord blood banking businesses and higher business and corporate development costs incurred to expand into new markets for cord blood banking. With the discontinuation of non-core businesses and focus on growing cord blood banking businesses, the Company expects to generate higher revenues against relatively lower costs in future financial years as compared to the current year.

On 26 June 2007, the Company placed 11,730,000 ordinary shares, at an issue price of $0.68 per share, to China Stem Cells (East) Company Limited ("CSC"). CSC and its affiliated companies operate cord blood banking businesses in the People's Republic of China. The shares were issued upon the receipt of $7,976,400 in the first week of July 2007. Funds from this placement will be used towards working capital requirements, including the establishment and expansion of the Company's businesses in India and Indonesia.

Continuing operations in the Consolidated Income Statement includes only cord blood banking. Discontinued operations include the Company's cell therapeutics, research and other products and clinical and travel related support services businesses. Loss from discontinued operations has been separately disclosed on the face of the Consolidated Income Statement and in detail in note 24 to the financial statements.

Total revenue represents revenue and interest income from continuing operations of the Company as at 30 June 2007. Comparative amounts for the corresponding previous period have been restated accordingly. Net loss for the year attributable to members represents the results of operations of Cordlife Ltd and its subsidiaries for the period from 1 July 2006 to 30 June 2007.

Total revenue for the year increased by 41% to $5,651,000, up from $4,016,000.

- Revenue from cord blood banking services was $5,517,000 as compared to $3,597,000, an increase of 53%. This substantial growth took place across Cordlife's key markets in Singapore, Australia and Hong Kong, as well as markets in which the Company operated sales offices, namely Indonesia, Thailand and the Philippines.
- Interest income from banks and other miscellaneous revenue was $134,000 as compared to $419,000, a decrease of 68%. The decrease was largely due to lower interest income from banks due to a lower balance of cash during the year as compared to the previous year.

Net loss attributable to members for the year was $20,600,000, compared to $6,603,000 for the previous year. The net loss arose mainly from one-time expenses on restructure of the Company's businesses, as well as costs associated with the development of its core cord blood banking business.



# **Directors'** Report

Significant expenses resulting in the net loss for the year are as follows:

- Write-down of investment in associated company being the book value previously attributed to patents of $16,396,000 (including amortisation of $1,126,000), less reversal of related deferred tax liabilites of $4,110,000.
- Goodwill written-off of $498,000 upon discontinuation of the spinners business. The spinners business was carried out by Cytovations, which was placed under assignment for the benefit of creditors.
- Net loss of $163,000 upon disposal of wholly-owned subsidiaries Cytomatrix, Cytovations and Cell Sciences.
- Research and development costs of $342,000 incurred by Cytomatrix prior to its divestment.
- Share-based payment expense of $577,000 upon grant of performance rights to employees.
- Net share of loss of associate companies of $292,000.
- Travel and legal costs related to business development activities, mainly in China.
- Advertisement and promotion costs incurred on marketing activities in Singapore, Hong Kong, Australia and Indonesia.

Administrative costs were higher in the current year as compared to the previous year due to expansion and growth of the cord blood banking business which mainly resulted in higher staff costs as well as increase in legal, rental and utilities expenses.

Information on revenue and results of the different business segments are set out in note 20 to the financial statements. Details of significant items of costs are further set out in note 3 to the financial statements.

Cash at 30 June 2007 was $4,420,000 (2006: $5,694,000). Net cash outflows from operating and investing activities during the year of $4,064,000 and $512,000 respectively were largely due to expansion activities involving investment in manpower and capital expenditure. Net cash inflow from financing activities during the year of $3,528,000 mainly comprised proceeds from a private placement of 10,200,000 shares of the Company in November 2006. Cash inflows from operating activities during the year of $9,812,000 comprised receipts from customers of $9,693,000 and interest income of $119,000. Cash outflows from operating activities during the year of $13,876,000 comprised payments for staff of $4,866,000, advertising and marketing of $540,000, research and development of $296,000, interest expense of $6,000 and other working capital of $8,168,000. Payments for research and development include costs incurred for work carried out on development of technologies prior to the restructure. Payments for other working capital mainly include direct costs of rendering cord blood banking services, production and distribution of goods and clinical and travel related support services; it also includes travel costs incurred on business development in China, Indonesia and India and property lease rental costs in Asia, Australia and the US.

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

# **Directors'** Report

The Group has an overdraft facility of $385,000, all of which was unused at 30 June 2007. The Group has sufficient funds to finance its operations and maintains the overdraft facility primarily to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

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

*Cord blood banking business*

The cord blood banking business grew substantially during the year, with revenue from services rendered increasing by 53% over the previous year. This included revenue from annual storage, which increased by more than 172%.

The number of clients signed-up during the year increased by over 47% compared to the previous year. As at 30 June 2007, total client numbers exceeded 10,000 and the Company expects the growth to continue in the following financial year.

In June 2007, Cordlife's Jakarta facility secured a license from the Indonesian Government and its Ministry of Health as the only approved facility to offer umbilical cord blood banking services in the country. The Company expects its Indonesian market to grow considerably in the financial year 2008 with the license to offer storage sevices in Indonesia. Cordlife now offers options to clients in Indonesia to either store locally in Jakarta or store in Singapore.

The Company expects client numbers and revenues to be boosted further when Cordlife India becomes fully operational in the last quarter of calendar year 2007. The Company is in the final stages of building a full umbilical cord blood processing and storage facility in Kolkata and securing relevant regulatory approvals from the Indian authorities. This will be followed by regional marketing offices in other key Indian cities. India promises to be a key market for Cordlife in the coming years.

The Singapore facility of the Company is the first and, to date, only AABB accredited cord blood bank in South East Asia. In August 2007, Cordlife's Hong Kong facility successfully achieved ISO 9001:2000 certification. The facility was audited for adherence to quality standards according to the 2000 version of ISO 9001, which requires the integration of quality and process management at all levels. Alongside Singapore's AABB accreditation and Biocell's (Australia) TGA license, the achievement of ISO certification for Hong Kong is a validation of Cordlife's commitment to quality across all its facilities.

Cordlife's Singapore operations grew significantly during the financial year including all-time record high new sign-ups in the month of June 2007 of 531 clients. Excluding one-off relocation costs of $112,000 related to its pending move to a new location in Singapore and impairment of debtors of $51,000, Cordlife's Singapore operations were profitable in the second half of the financial year. This was mainly due to increase in numbers of new clients signed-up as well as increasing annual storage revenue on clients signed-up in previous financial years. Based on its current client base and expected new client sign-ups in FY 2008, Cordlife's Singapore operations are expected to be profitable for the first time in the financial year ending 30 June 2008.



# **Directors'** Report

Cordlife's Hong Kong operations grew by 68% over the previous year in terms of new clients signed-up. The Company continued to invest in marketing activities in Hong Kong in efforts to grow its market size. The resultant advertisement and promotion costs as well as costs associated with ISO audit contributed to losses in the financial year. However, it is important to note that even though not profitable from an accounting point of view, Cordlife's Hong Kong operations have always been cash flow positive due to a large proportion of customers paying 18 years' annual storage fees upfront.

Cordlife's Australian operations, Biocell, grew nearly 3 times (184% increase) over the previous year in terms of new clients signed-up. However, the operations continued to incur losses in the financial year due to high operating costs in Australia. The Company has taken steps to review its business model as well as areas to control costs.

Cordlife's key markets under development are Indonesia and India. The grant of the license to offer cord blood storage services locally in Jakarta is expected to grow the Indonesian market for the Company significantly. While the license was formally granted in June 2007, Cordlife's Indonesian operations have been expanded since January 2007 with manpower resources put in place as well as marketing activities being carried out in preparation for the launch of services. This resulted in pre-startup costs being incurred in the financial year without corresponding revenues. Revenues will be generated in the following financial year. Cordlife also incurred some pre-startup costs on its Indian operations which are set to be launched in the last quarter of the calendar year 2007. Cordlife also incurred costs on promotion of its services in Thailand and the Philippines, where it operates through sales offices. However, the Company scaled down its activities in these two markets in the last quarter of the financial year and therefore does not expect to incur similar costs in the following financial years. This is in line with its focus on larger Asian markets like Indonesia and India. There are no immediate plans to set up full cord blood processing and storage facilities in Thailand and the Philippines and samples will continue to be stored in Cordlife's AABB accredited facility in Singapore. During the financial year the Company also incurred market development costs in the UK. However, it ceased its UK operations towards the end of the first half of the financial year in line with its focus on Asia and no further costs were incurred thereafter.

*Cell Therapeutics business*

In June 2007, the Company restructured its interest in Cytomatrix, its technology venture, and completed the assignment for the benefit of creditors of Cytovations, its cell therapy products and services venture. These businesses have been classified as discontinued operations and disclosed accordingly in note 24 to the financial statements.

Under the restructuring, Cytomatrix LLC (which holds the patented technologies) is now a wholly-owned subsidiary of Cytomatrix Pty Ltd, and with the signing of a Joint Venture Agreement with the Victorian Centre for Advanced Materials Manufacturing ("VCAMM"), Cytomatrix Pty Ltd will be jointly owned with VCAMM and inventors based at Deakin University and Barwon Health, Geelong. Cordlife now owns 41% of the Cytomatrix group, with no further funding obligations under this new structure.

It is anticipated that the dilution of Cordlife's interest in the Cytomatrix group and the write-down of investment in that associated company will reduce annual expenses in future financial years by approximately $2.3 million. This includes a non-cash expense of approximately $1.2 million representing amortisation of patents, and cash expenses of approximately $200,000 for maintainance of patents and approximately $900,000 for developmental work on the technologies. Consequently, this restructuring will also substantially reduce Cordlife's cash outflows.

# **Directors'** Report

With the completion of assignment for the benefit of creditors of Cytovations, the Company also discontinued its cell therapy product development and consultancy services business. This will further reduce the Company's annual expenses and cash outflows in future financial years by approximately $800,000. The closure of Cytovations resulted in a one-off charge of $952,000 in the financial year, including write-off of goodwill related to the spinners business of $498,000.

*Product sales and distribution business*

In September 2006, the Company sold its wholly-owned subsidiary Cell Sciences Pte Ltd, a company engaged in the distribution of various medical and research products, in exchange for a 19.7% stake in DNAPro Sdn Bhd, a company registered in Malaysia and engaged in manufacturing and supply of biopharmaceutical products. It supplies various medical products to the Malaysian government and the private sector.

The Company had earlier transferred its own cell culture spinners business from Cell Sciences to Cytovations. With the subsequent assignment for the benefit of creditors of Cytovations in June 2007, the Company discontinued its product sales and distribution business completely. These businesses have been classified as discontinued operations and disclosed accordingly in note 24 to the financial statements.

*Clinical and travel related support services business*

The Company ceased its clinical and travel related support services business in January 2007 and will proceed to dispose of the relevant entities in the first quarter of the following financial year once all outstanding debts are collected. It has been disclosed as discontinued operations in the current financial year and further costs to be incurred in the financial year 2008 are expected to be insignificant.

### Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to above or in the financial statements or notes thereto.

### Subsequent events

On 26 June 2007, the Company entered into an agreement to allot and issue 11,730,000 ordinary shares at an issue price of $0.68 per share to China Stem Cells (East) Company Limited ("CSC"). CSC and its affiliated companies operate cord blood banking businesses in the People's Republic of China. The shares were issued in the first week of July 2007. The $7,976,400 raised in the first week of July 2007 from this placement will be used towards working capital requirements, including expansion of the Company's businesses in India and Indonesia.

Apart from the above, there has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, other than as stated elsewhere in this report, this information has not been disclosed further.



# **Directors'** Report

## Environmental regulations

The Company's controlled entities were involved in scientific research and development and the activities did not create any significant environmental impact to any material extent. The scientific research activities were in full compliance with all prescribed environmental regulations.

## Loss per share

Basic and diluted loss per share was 27.6 cents (2006: 9.7 cents). For details refer to note 16 to the financial statements.

## Dividends

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

## Share options

During and since the end of the financial year no share options were granted to the directors and executives of the Company, other than that referred to below.

## Options and performance rights plan

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

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

Performance rights are granted to each employee depending on the extent to which specific Key Result Areas ("KRAs") set at the beginning of the financial year are met. The KRAs cover both financial and non-financial corporate and individual measures of performance. Typically included are measures such as contribution to revenue, customer service, risk management, product management and leadership contributions. These measures were chosen as they represent the key drivers for success of the business and provide a framework for delivering long-term value.

On an annual basis, after consideration of performance against KRAs, the Remuneration Committee, in line with their responsibilities, determine the amount of performance rights to be granted to each employee. This process usually occurs within 3 months after the reporting date.

In February 2007, performance hurdles were established and specific allocation details were approved by the Remuneration Committee.

During the year, 2,832,507 options over ordinary shares were granted with an exercise price of $0.00 exercisable upon meeting the performance hurdles and completion of service conditions. The weighted average fair value of options granted during the year was $0.35. The fair value is estimated as at the date of grant using a Black-Scholes Pricing model taking into account the terms and conditions upon which the options were granted.

# **Directors'** Report

For the financial year ended 30 June 2007, none of the performance rights granted were forfeited. The vesting conditions related to the employees meeting their service and performance criteria for financial years 2006 and 2007.

The consolidated share-based payment expense recognised during the year was $577,000 (2006: nil).

### Indemnification of directors and officers

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

The total amount of insurance contract premiums paid during the financial year was $38,250 (2006: $51,000).

### Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 10 Board meetings, 2 Audit Committee meetings, 2 Nomination Committee meetings and 1 Remuneration Committee meeting were held.

| | Board of Directors | | Audit Committee | | Nomination Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|
| Directors | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Christopher Fullerton | 10 | 9 | – | – | 2 | 2 | 1 | 1 |
| Steven Fang | 10 | 10 | – | – | – | – | 1 | 1 |
| Christopher Ho | 10 | 10 | 2 | 2 | 2 | 2 | – | – |
| Alberto Bautista | 10 | 10 | 2 | 2 | 2 | 2 | 1 | 1 |
| Seow Bao Shuen | 5 | 5 | 1 | – | – | – | – | – |
| Peter Roberts | 5 | 4 | 1 | 1 | – | – | – | – |
| Eileen Tay | 3 | 3 | 1 | 1 | 1 | 1 | – | – |
| Ian Brown | 5 | 5 | – | – | – | – | – | – |

### Directors' shareholdings

The following table sets out each director's relevant interest in equity instruments comprising shares and options in shares of the Company or a related body corporate as at the date of this report.

| Directors | Fully paid ordinary shares | Partly paid ordinary shares | Executive share options |
|---|---|---|---|
| ***Cordlife Ltd*** | | | |
| Chris Fullerton | 3,000,000 | – | – |
| Steven Fang | 6,354,960 | – | 210,000 |
| Christopher Ho | 1,054,437 | – | – |
| Alberto Bautista | 248,480 | – | – |
| Seow Bao Shuen^ | 11,819,448 | – | – |
| Peter Roberts | 40,000 | – | – |
| Samuel Kong | – | – | – |

^ Seow Bao Shuen also has interest in 35,130,060 fully paid ordinary shares of Cordlife (Hong Kong) Ltd, a subsidiary of Cordlife Ltd.

# **Directors'** Report

**Remuneration report**

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

*Remuneration philosophy*

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

*Remuneration committee*

The Remuneration Committee reviews the remuneration packages of all executive directors and senior executives on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages contain the following key elements:

- Primary benefits – salary and allowances;
- Post-employment benefits – including superannuation and other retirement benefits; and
- Options and Performance Rights Plan.

Further details of the Options and Performance Rights Plan are set out on page 29.

*Remuneration structure*

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

*Non-executive director remuneration*

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

*Employment contracts*

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

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

# **Directors'** Report

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

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

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

# **Directors'** Report

*Details of director and executive remuneration*

**Remuneration for the year ended 30 June 2007**

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

| Director | Short-Term | | | Post Employment | | | Share-based Payment $ | Other benefits $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Bonus $ | Others[^] $ | Super-annuation $ | Prescribed benefits $ | Other $ | | | |
| **Executive directors** | | | | | | | | | |
| Steven Fang | 285,785 | – | 26,463 | 8,933 | – | – | 109,375 | – | 430,556 |
| Ian Brown [*] | 138,348 | – | – | 12,456 | – | – | 87,500 | – | 238,304 |
| **Non-executive directors and Company Secretary** | | | | | | | | | |
| Chris Fullerton | 60,000 | – | – | 5,400 | – | – | – | – | 65,400 |
| Christopher Ho | 45,000 | – | – | – | – | – | – | – | 45,000 |
| Alberto Bautista | 45,000 | – | – | – | – | – | – | – | 45,000 |
| Seow Bao Shuen | 18,750 | – | – | – | – | – | – | – | 18,750 |
| Peter Roberts | 18,750 | – | – | – | – | – | – | – | 18,750 |
| Eileen Tay | 18,750 | – | – | – | – | – | – | – | 18,750 |
| Andrew Lord | 54,360 | – | – | – | – | – | – | – | 54,360 |

[*] Ian Brown's remuneration includes $62,835 as company executive after he resigned as Director on 1 February 2007.

[^] Other short-term remuneration relates to payment for club membership.

**Remuneration for the year ended 30 June 2006**

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

| Director | Short-Term | | | Post Employment | | | Share-based Payment $ | Other benefits $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Bonus $ | Others $ | Super-annuation $ | Prescribed benefits $ | Other $ | | | |
| **Executive directors** | | | | | | | | | |
| Steven Fang | 258,927 | – | – | 6,069 | – | – | – | – | 264,996 |
| Ian Brown | 138,348 | – | – | 12,456 | – | – | – | – | 150,804 |
| **Non-executive directors and Company Secretary** | | | | | | | | | |
| Chris Fullerton | 60,000 | – | – | 5,400 | – | – | – | – | 65,400 |
| Eileen Tay | 45,000 | – | – | – | – | – | – | – | 45,000 |
| Christopher Ho | 27,250 | – | – | – | – | – | – | – | 27,250 |
| Alberto Bautista | 15,000 | – | – | – | – | – | – | – | 15,000 |
| Anthony Soh | 17,875 | – | – | – | – | – | – | – | 17,875 |
| Mark Pykett[^] | 57,503 | – | – | – | – | – | – | – | 57,503 |
| Andrew Lord | 31,924 | – | – | – | – | – | – | – | 31,924 |

[^] Mark Pykett's remuneration for 2006 includes non-executive director fees of $17,875 and consultant fees of $39,628.

# **Directors'** Report

The following table discloses the remuneration of the 5 highest remunerated executives (excluding executive directors of Cordlife Ltd) of the Company and of the consolidated entity:

### Remuneration for the year ended 30 June 2007

| Executive | Short-Term | | | Post Employment | | | Share-based Payment $ | Other benefits $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Bonus $ | Others^ $ | Super-annuation $ | Prescribed benefits $ | Other $ | | | |
| **Company** | | | | | | | | | |
| Jeremy Yee | 169,213 | – | 26,463 | 8,933 | – | – | 116,167 | – | 320,776 |
| **Consolidated entity** | | | | | | | | | |
| Simon Lee | 82,393 | – | – | 5,749 | – | – | 61,000 | – | 149,142 |
| Arijit Mookerjee # | 80,090 | – | – | 5,749 | – | – | 61,000 | – | 146,839 |
| Susan Kheng | 73,710 | – | – | 5,749 | – | – | 61,000 | – | 140,459 |
| John T. Flickinger* | 127,292 | – | – | 4,277 | – | – | – | – | 131,569 |

# Arijit Mookerjee met the definition of a key management person on 1 July 2006.
^ Other short-term remuneration relates to payment for club membership.
* John T. Flickinger ceased to be a key management person with effect from 1 July 2006. However, he was one of the 5 highest remunerated executives during the financial year.

### Remuneration for the year ended 30 June 2006

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



# **Directors'** Report

## Compensation options: Granted and vested during the year

| | Granted | | Terms & Conditions for each Grant | | | | | Vested | |
|---|---|---|---|---|---|---|---|---|---|
| | No. | Grant date | Fair value per option on grant date ($) | Exercise price per option ($) | Expiry Date | First Exercise Date | Last Exercise Date | No. | % |
| **Executive Directors** | | | | | | | | | |
| Steven Fang | 312,500 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| Ian Brown | 250,000 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| **Other key management personnel** | | | | | | | | | |
| Jeremy Yee | 250,000 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 66,666 | 1-Jun-07 | 0.43 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 316,666 | | | | | | | | |
| Simon Lee | 133,334 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 33,334 | 1-Jun-07 | 0.43 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 166,668 | | | | | | | | |
| Arijit Mookerjee | 133,334 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 33,334 | 1-Jun-07 | 0.43 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 166,668 | | | | | | | | |
| Susan Kheng | 133,334 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 33,334 | 1-Jun-07 | 0.43 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 166,668 | | | | | | | | |
| Total | 1,379,170 | | | | | | | – | |

There were no options granted or vested during the year ended 30 June 2006.

## Options granted as part of remuneration

| Directors | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | Total value of options granted, exercised and lapsed during the year | % Remuneration consisting of options for the year |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Steven Fang | 109,375 | – | – | 109,375 | 25.4 |
| Ian Brown | 87,500 | – | – | 87,500 | 36.7 |
| **Other key management personnel** | | | | | |
| Jeremy Yee | 116,167 | – | – | 116,167 | 36.2 |
| Simon Lee | 61,000 | – | – | 61,000 | 40.9 |
| Arijit Mookerjee | 61,000 | – | – | 61,000 | 41.5 |
| Susan Kheng | 61,000 | – | – | 61,000 | 43.4 |

# **Directors'** Report

**Proceedings on behalf of the Company**

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

**Auditor independence and non-audit services**

*Independence declaration*

The directors obtained a declaration of independence from the auditors, Ernst and Young, a copy of which appears on page 99.

*Non-audit services*

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

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

| | |
|---|---|
| Tax compliance services | $8,844 |

Signed in accordance with a resolution of the directors made pursuant to S298(2) of the Corporations Act 2001.

On behalf of the Board

Steven Fang
Director

27 September 2007

# **Independent Audit** Report

## to the Members of Cordlife Ltd (formerly Cygenics Ltd)

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

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

### Independent auditor's report to the members of Cordlife Limited

We have audited the accompanying financial report of Cordlife Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*
In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which can be found on page [illegible]. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Liability limited by a scheme approved under
Professional Standards Legislation

# **Independent Audit** Report

to the Members of Cordlife Ltd (formerly Cygenics Ltd)

ERNST & YOUNG

*Auditor's Opinion*

In our opinion:

1. the financial report of Cordlife Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Cordlife Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial report complies with International Financial Reporting Standards as disclosed in Note 2 (b).

Ernst & Young

Don Brumley
Partner
Melbourne
27 September 2007

# **Directors'** Declaration

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

(1) In the opinion of the directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

On behalf of the Board

Steven Fang
Director

27 September 2007

# **Income** Statement

for the financial year ended 30 June 2007

| | Note | Consolidated 30.6.2007 $'000 | Consolidated 30.6.2006 $'000 | Company 30.6.2007 $'000 | Company 30.6.2006 $'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 3(a) | 5,651 | 4,016 | 85 | 387 |
| Cost of sales | | (2,807) | (1,556) | – | – |
| Gross profit | | 2,844 | 2,460 | 85 | 387 |
| Other income | 3(a) | 85 | 36 | – | – |
| Distribution and marketing expenses | | (1,897) | (1,734) | (684) | (348) |
| Research and development costs | | – | (4) | – | – |
| Share of results of associates | 10 | (292) | (90) | – | – |
| Administration expenses | | (6,728) | (4,306) | (31,391) | (2,083) |
| Finance costs | 3(b) | (6) | (3) | – | – |
| **Loss from continuing operations before income tax** | | (5,994) | (3,641) | (31,990) | (2,044) |
| Income tax benefit | 4 | 200 | 100 | – | – |
| **Net loss from continuing operations after income tax** | | (5,794) | (3,541) | (31,990) | (2,044) |
| **Discontinued operations** | | | | | |
| Loss from discontinued operations after income tax | 24(b) | (15,173) | (3,638) | – | – |
| Net loss for the year | | (20,967) | (7,179) | – | – |
| Net loss attributable to minority interests | | 367 | 576 | – | – |
| **Net loss for the year attributable to members** | | (20,600) | (6,603) | (31,990) | (2,044) |
| **Earnings per share for losses from continuing operations attributable to the ordinary equity holders of the Company:** | | | | | |
| Basic and diluted (cents per share) | 16 | (7.3) | (4.4) | | |
| **Earnings per share for losses attributable to the ordinary equity holders of the Company:** | | | | | |
| Basic and diluted (cents per share) | 16 | (27.6) | (9.7) | | |



# **Balance** Sheet

as at 30 June 2007

| | Note | Consolidated 2007 $'000 | Consolidated 2006 $'000 | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 23 | 4,259 | 5,694 | 1,275 | 2,504 |
| Trade and other receivables | 7 | 1,717 | 1,677 | 1,650 | 9,919 |
| Inventories | 8 | 50 | 572 | – | – |
| | | 6,026 | 7,943 | 2,925 | 12,423 |
| Assets of disposal group classified as held for sale | 24(d) | 221 | – | – | – |
| **Total current assets** | | 6,247 | 7,943 | 2,925 | 12,423 |
| **Non-current assets** | | | | | |
| Investments in subsidiaries | 9 | – | – | 33,387 | 52,553 |
| Investments in associates | 10 | 341 | 298 | 723 | 388 |
| Plant and equipment | 11 | 571 | 967 | 10 | 17 |
| Deferred tax assets | 4 | 572 | 365 | – | – |
| Intangible assets and goodwill | 12 | 27,805 | 44,651 | – | – |
| **Total non-current assets** | | 29,289 | 46,281 | 34,120 | 52,958 |
| **Total assets** | | 35,536 | 54,224 | 37,045 | 65,381 |
| **Current liabilities** | | | | | |
| Trade and other payables | 13 | 2,130 | 1,647 | 3,723 | 3,910 |
| Deferred revenue | | 869 | 279 | – | – |
| Finance lease liability | 17 | 13 | – | – | – |
| | | 3,012 | 1,926 | 3,723 | 3,910 |
| Liabilities directly associated with assets classified as held for sale | 24(d) | 43 | – | – | – |
| **Total current liabilities** | | 3,055 | 1,926 | 3,723 | 3,910 |
| **Non-current liabilities** | | | | | |
| Deferred revenue | | 1,974 | 546 | – | – |
| Finance lease liability | 17 | 23 | – | – | – |
| Deferred tax liabilities | 4 | – | 4,110 | – | – |
| **Total non-current liabilities** | | 1,997 | 4,656 | – | – |
| **Total liabilities** | | 5,052 | 6,582 | 3,723 | 3,910 |
| **Net assets** | | 30,484 | 47,642 | 33,322 | 61,471 |
| **Equity** | | | | | |
| Contributed equity | 14 | 68,412 | 65,148 | 68,412 | 65,148 |
| Currency translation reserve | 15 | (591) | (283) | – | – |
| Employee equity benefits reserve | 15 | 577 | – | 577 | – |
| Accumulated losses | | (38,100) | (17,500) | (35,667) | (3,677) |
| **Parent entity interest** | | 30,298 | 47,365 | 33,322 | 61,471 |
| Minority interests | | 186 | 277 | – | – |
| **Total equity** | | 30,484 | 47,642 | 33,322 | 61,471 |

# **Cash Flow** Statement

for the financial year ended 30 June 2007

| | Note | Consolidated 30.6.2007 $'000 | Consolidated 30.6.2006 $'000 | Company 30.6.2007 $'000 | Company 30.6.2006 $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 9,693 | 8,021 | – | – |
| Payments to suppliers and employees | | (13,870) | (13,746) | (862) | (1,122) |
| Interest received | | 119 | 543 | 91 | 506 |
| Interest and other costs of finance paid | | (6) | (3) | – | – |
| Others – R&D tax concession in Australia | | – | 210 | – | – |
| **Net cash used in operating activities** | 23(d) | (4,064) | (4,975) | (771) | (616) |
| **Cash flows from investing activities** | | | | | |
| Acquisition of subsidiary, net of cash acquired | 23(b) | – | 7 | – | – |
| Purchase of plant and equipment | | (333) | (245) | – | (1) |
| Purchase of intangible assets | | (59) | – | – | – |
| Purchase of equity investment | | – | (388) | (153) | (1,323) |
| Proceeds from disposal of businesses (net cash not consolidated upon disposal) | 24(e) | (120) | – | – | – |
| **Net cash used in investing activities** | | (512) | (626) | (153) | (1,324) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of shares in a subsidiary to minority shareholders | | 264 | 184 | – | – |
| Proceeds from issue of shares | | 3,264 | – | 3,264 | – |
| Advances to related parties | | – | – | (3,569) | (6,495) |
| Repayment of borrowings | | – | (2,736) | – | – |
| **Net cash from/(used in) financing activities** | | 3,528 | (2,552) | (305) | (6,495) |
| **Net decrease in cash and cash equivalents held** | | (1,048) | (8,153) | (1,229) | (8,435) |
| **Cash and cash equivalents at the beginning of the financial year** | | 5,694 | 13,724 | 2,504 | 10,939 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (226) | 123 | – | – |
| **Cash and cash equivalents at the end of the financial year** | 23(a) | 4,420 | 5,694 | 1,275 | 2,504 |



# Statement of Changes in Equity

for the financial year ended 30 June 2007

## Consolidated

| | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Contributed equity $'000 | Currency translation reserve $'000 | Accumulated losses $'000 | Employee equity benefits reserve $'000 | Total $'000 | Minority Interests $'000 | Total Equity $'000 |
| **At 1 July 2005** | **65,148** | **(524)** | **(10,897)** | **–** | **53,727** | **441** | **54,168** |
| Currency translation differences | – | 241 | – | – | 241 | 24 | 265 |
| Net income and expense recognised directly in equity | – | 241 | – | – | 241 | 24 | 265 |
| Net loss for the year | – | – | (6,603) | – | (6,603) | (576) | (7,179) |
| Total recognised income and expense for the year | – | 241 | (6,603) | – | (6,362) | (552) | (6,914) |
| Share of equity | – | – | – | – | – | 388 | 388 |
| **At 30 June 2006** | **65,148** | **(283)** | **(17,500)** | **–** | **47,365** | **277** | **47,642** |
| **At 1 July 2006** | **65,148** | **(283)** | **(17,500)** | **–** | **47,365** | **277** | **47,642** |
| Currency translation differences | – | (308) | – | – | (308) | 43 | (265) |
| Net income and expense recognised directly in equity | – | (308) | – | – | (308) | 43 | (265) |
| Net loss for the year | – | – | (20,600) | – | (20,600) | (367) | (20,967) |
| Total recognised income and expense for the year | – | (308) | (20,600) | – | (20,908) | (324) | (21,232) |
| Issuance of shares | 3,264 | – | – | – | 3,264 | – | 3,264 |
| Grant of share options | – | – | – | 577 | 577 | – | 577 |
| Share of equity | – | – | – | – | – | 233 | 233 |
| **At 30 June 2007** | **68,412** | **(591)** | **(38,100)** | **577** | **30,298** | **186** | **30,484** |

## Company

| | Contributed equity $'000 | Accumulated losses $'000 | Employee equity benefits reserve $'000 | Total equity $'000 |
|---|---|---|---|---|
| **At 1 July 2005** | **65,148** | **(1,633)** | **–** | **63,515** |
| Net loss for the year | – | (2,044) | – | (2,044) |
| **At 30 June 2006** | **65,148** | **(3,677)** | **–** | **61,471** |
| **At 1 July 2006** | **65,148** | **(3,677)** | **–** | **61,471** |
| **Net loss for the year** | **–** | **(31,990)** | **–** | **(31,990)** |
| Total recognised income and expense for the year | – | (31,990) | – | (31,990) |
| Issuance of shares | 3,264 | – | – | 3,264 |
| Grant of share options | – | – | 577 | 577 |
| **At 30 June 2007** | **68,412** | **(35,667)** | **577** | **33,322** |

# **Notes to the Financial** Statements

30 June 2007

## 1. Corporate information

The financial report of Cordlife Ltd (the "Company") for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 27 September 2007.

Cordlife Ltd (the parent) is a company limited by shares, incorporated in Australia and currently operating in Australia and Asia. Cordlife Ltd is the ultimate holding company of the Group. The shares of the Company are publicly traded on the Australian Stock Exchange.

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

The Company and its controlled entities' (the "Group") principal activities in the course of the financial year were providing services, devices and facilities for storing and developing applications for adult stem cells and their related therapies. The Group was also engaged in the manufacture, distribution and trading of research products and medical equipment as well as clinical and travel related support services business.

## 2. Summary of significant accounting policies

### (a) *Basis of Preparation*

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Consensus Views. The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

All values contained in this financial report have been rounded to the nearest thousand Australian dollars unless otherwise stated under the option available to the Company under ASIC Class Order 98/100.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

### (b) *Statement of compliance*

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).



# **Notes to the Financial** Statements

30 June 2007

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

### (c) *Australian Accounting Standards not yet effective*

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007. These are outlined in the table below.

| Reference | Title | Summary | Application date of standard[*] | Impact on Group financial report | Application date for Group[*] |
|---|---|---|---|---|---|
| AASB 2005-10 | Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038] | Amending standard issued as a consequence of AASB 7 *Financial Instruments: Disclosures.* | 1 January 2007 | AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report. | 1 July 2007 |
| AASB 2007-1 | Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2] | Amending standard issued as a consequence of AASB Interpretation 11 AASB 2 – *Group and Treasury Share Transactions.* | 1 March 2007 | This is consistent with the Group's existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group's financial report. | 1 July 2007 |
| AASB 2007-3 | Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] | Amending standard issued as a consequence of AASB 8 *Operating Segments.* | 1 January 2009 | AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 *Segment Reporting.* | 1 July 2009 |

# **Notes to the Financial** Statements

30 June 2007

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

### (c) *Australian Accounting Standards not yet effective (cont'd)*

| Reference | Title | Summary | Application date of standard* | Impact on Group financial report | Application date for Group* |
|---|---|---|---|---|---|
| AASB 2007-4 | Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038] | Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. | 1 July 2007 | These amendments are expected to reduce the extent of some disclosures in the Group's financial report. | 1 July 2007 |
| AASB 2007-6 | Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1,101, 107, 111, 116, 138 and Interpretations 1 & 12] | Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs* | 1 January 2009 | The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report. | 1 July 2009 |
| AASB 2007-7 | Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128] | Amending standards for wording errors, discrepancies and inconsistencies. | 1 July 2007 | The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report. | 1 July 2007 |

# **Notes to the Financial** Statements

30 June 2007

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

### (c) *Australian Accounting Standards not yet effective (cont'd)*

| Reference | Title | Summary | Application date of standard* | Impact on Group financial report | Application date for Group* |
|---|---|---|---|---|---|
| AASB 7 | *Financial Instruments: Disclosures* | New standard replacing disclosure requirements of AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and AASB 132 *Financial Instruments: Disclosure and Presentation.* | 1 January 2007 | Refer to AASB 2005-10 above. | 1 July 2007 |
| AASB 8 | *Operating Segments* | New standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting. | 1 January 2009 | Refer to AASB 2007-3 above. | 1 July 2009 |
| AASB 123 (amended) | *Borrowing Costs* | The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised. | 1 January 2009 | Refer to AASB 2007-6 above | 1 July 2009 |
| AASB Interpretation 10 | *Interim Financial Reporting and Impairment* | Addresses an inconsistency between AASB 134 *Interim Financial Reporting* and the impairment requirements relating to goodwill in AASB 136 *Impairment of Assets* and equity instruments classified as available for sale in AASB 139 *Financial Instruments: Recognition and Measurement.* | 1 November 2006 | The prohibitions on reversing impairment losses in AASB 136 and AASB 139, which are to take precedence over the more general statement in AASB 134, are not expected to have any impact on the Group's financial report. | 1 July 2007 |

# **Notes to the Financial** Statements

30 June 2007

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

### (c) *Australian Accounting Standards not yet effective (cont'd)*

| Reference | Title | Summary | Application date of standard* | Impact on Group financial report | Application date for Group* |
|---|---|---|---|---|---|
| AASB Interpretation 11 | *AASB 2 – Group and Treasury Share Transactions* | Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2 *Share-based Payment*. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. | 1 March 2007 | Refer to AASB 2007-1 above. | 1 July 2007 |

* designates the beginning of the applicable annual reporting period

### (d) *Subsidiaries and basis of consolidation*

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

In the company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

The consolidated financial statements comprise the financial statements of Cordlife Ltd and its subsidiaries as at 30 June each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

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



# **Notes to the Financial** Statements

30 June 2007

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

### (d) *Subsidiaries and basis of consolidation (cont'd)*

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

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net loss after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

### (e) *Significant accounting judgments, estimates and assumptions*

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences and tax losses to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

*Impairment of goodwill*

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

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes Pricing model, with the assumptions detailed in note 19. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

*Allowance for impairment loss on trade receivables*

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts. The impairment loss is outlined in note 7.

# **Notes to the Financial** Statements

30 June 2007

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

(e) ***Significant accounting judgments, estimates and assumptions (cont'd)***

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for equipment). In addition, the condition of the assets are assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 11.

(f) ***Foreign currency translation***

*(i) Functional and presentation currency*

Both the functional and presentation currency of Cordlife Ltd and its Australian subsidiaries is Australian dollars (A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*(ii) Transactions and balances*

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

All exchange differences in the consolidated financial report are taken to the income statement. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

(g) ***Plant and equipment***

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance costs are recognised in the income statement as incurred.

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

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

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

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

(g) ***Plant and equipment (cont'd)***

*Derecognition and disposal*

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

*Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

(h) ***Borrowing costs***

Borrowing costs are recognised as an expense when incurred.

(i) ***Goodwill***

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

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

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

### (j) *Intangible assets*

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

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

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

| | | |
|---|---|---|
| Patents | - | 14 to 16 years |
| Licences | - | 5 years |
| Software | - | 3 years |

*Research and development costs*

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

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

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

*Research and development costs (cont'd)*

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

*Derecognition and disposal*

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

(k) ***Impairment of assets***

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

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

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

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

(l) ***Inventories***

Inventories, consisting of finished goods, are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

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

(m) ***Trade and other receivables***

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

Intercompany receivables are accounted for using the same accounting policy as above except that intercompany receivables are repayable upon demand.

(n) ***Cash and cash equivalents***

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with banks with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(o) ***Provisions***

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in finance costs.



# **Notes to the Financial** Statements

30 June 2007

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

(p) ***Share-based payment transactions***

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

Currently the company has an Options and Performance Rights Plan in place to provide these benefits. Further details of the Plan are set out in note 19.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes Pricing Model, further details of which are given in note 19.

In valuing equity-settled transactions, no account is taken of any vesting conditions and there are no conditions linked to the price of the shares of Cordlife Ltd (market conditions).

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

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by Cordlife Ltd to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by Cordlife Ltd in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

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

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

(q) ***Leases***

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

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

(r) ***Revenue recognition***

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sales of goods*

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

# Notes to the Financial Statements

30 June 2007

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

(r) ***Revenue recognition (cont'd)***

*Rendering of services*

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

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

Where services are being provided under a long-term contract, revenue is only recognised to the extent that services have been rendered, with the remaining being accounted for as deferred revenue on the balance sheet.

*Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(s) ***Government grants***

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

The grant relates to an expense item and it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. It is not credited directly to shareholders equity.

(t) ***Investments in associates***

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

### (t) *Investments in associates (cont'd)*

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Company accounts for the investment in associate at cost less impairment losses.

Where the reporting dates of the associates and the Group are not identical, the details are taken from the latest available financial statements of the companies concerned, made up to the financial year of the Group. The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

### (u) *Income tax*

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

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

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

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

- where the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case, a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

(v) ***Other taxes***

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

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

- receivables and payables are stated with the amount of GST included.

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

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

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

# **Notes to the Financial** Statements

30 June 2007

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

(w) ***Derecognition of financial instruments***

*(i) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

*(ii) Financial liabilities*

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

(x) ***Trade and other payables***

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(y) ***Employee benefits***

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities in respect of employee service up to the reporting date for wages and salaries and annual leave expected to be settled within 12 months of the reporting date, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Any provision made in respect of long service leave which is not expected to be settled within 12 months is measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(z) ***Contributed equity***

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

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

(aa) ***Earnings per share***

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

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

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(bb) ***Segment reporting***

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(cc) ***Non-current assets and disposal groups held for sale and discontinued operations***

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business and is part of a single coordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately on the face of the income statement.

# **Notes to the Financial** Statements

30 June 2007

## 3. Revenue and expenses

| | Consolidated 30.6.2007 $'000 | Consolidated 30.6.2006 $'000 | Company 30.6.2007 $'000 | Company 30.6.2006 $'000 |
|---|---|---|---|---|
| (a) ***Revenue*** | | | | |
| Revenue from the sale of goods | 16 | 1 | – | – |
| Revenue from the rendering of services | 5,517 | 3,597 | – | – |
| | 5,533 | 3,598 | – | – |
| *Other revenue* | | | | |
| Interest revenue from banks | 118 | 418 | 85 | 387 |
| *Total revenue* | 5,651 | 4,016 | 85 | 387 |
| *Other income* | | | | |
| Government grants and contracts | 24 | 3 | – | – |
| Other | 61 | 33 | – | – |
| | 85 | 36 | – | – |
| Total revenue and other income | 5,736 | 4,052 | 85 | 387 |
| (b) ***Expenses from continuing operations*** | | | | |
| Finance costs | | | | |
| - Interest on bank overdraft | 6 | 3 | – | – |
| Depreciation of plant and equipment | 376 | 257 | 8 | 6 |
| Amortisation of intangible assets: | | | | |
| - Software | 11 | – | – | – |
| Operating lease rental expenses - Minimum lease payments | 376 | 260 | 23 | 23 |
| Employee benefits expense: | | | | |
| - Wages and salaries | 3,576 | 2,578 | 868 | 672 |
| - Defined contribution plan expense | 214 | 210 | 12 | 25 |
| - Share-based payment expense (note 19) | 577 | – | 234 | – |
| | 4,367 | 2,788 | 1,114 | 697 |
| Allowance for impairment in controlled entities | – | – | 19,695 | 226 |
| Allowance for impairment in amount owing from controlled entities | – | – | 2,104 | 215 |
| Allowance for impairment in amount owing from associated company | 513 | – | 513 | – |
| Loss on disposal of subsidiaries (note 18) | – | – | 7,316 | – |
| Other expenses: | | | | |
| - Legal and professional | 225 | 148 | 108 | 102 |
| - Travel | 854 | 395 | 587 | 248 |
| - Consultancy | 183 | 400 | 40 | 211 |
| - Advertising and promotion | 605 | 365 | 37 | 14 |



# **Notes to the Financial** Statements

30 June 2007

## 4. Income tax

### (a) *Numerical reconciliation between aggregate tax benefit recognised in the income statement and tax benefit calculated per the statutory income tax rate*

A reconciliation between tax benefit and the product of accounting loss before tax multiplied by the Group's applicable income tax rate is as follows :

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **30.6.2007** $'000 | **30.6.2006** $'000 | **30.6.2007** $'000 | **30.6.2006** $'000 |
| Loss from continuing operations before income tax | (5,994) | (3,641) | (31,990) | (2,044) |
| Loss from discontinued operations before income tax | (19,283) | (3,991) | – | – |
| Total loss before income tax | (25,277) | (7,632) | (31,990) | (2,044) |
| Income tax expense calculated at the Group's statutory income tax rate of 30% (2006: 30%) | (7,583) | (2,290) | (9,597) | (613) |
| Expenses not deductible for tax purposes | – | – | 8,888 | – |
| Tax losses and temporary differences not brought to account as deferred tax asset | 7,783 | 2,390 | 709 | 613 |
| Patents and licences | 4,110 | 353 | – | – |
| Income tax benefit | 4,310 | 453 | – | – |
| Income tax benefit is attributable to : | | | | |
| - Continuing operations | 200 | 100 | – | – |
| - Discontinuing operations | 4,110 | 353 | – | – |
| Income tax benefit | 4,310 | 453 | – | – |

### (b) *Income tax benefit*

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

| | | | | |
|---|---|---|---|---|
| Current income tax | (7) | – | – | – |
| Deferred income tax: | | | | |
| - Losses available for offset against future taxable income | 207 | 100 | – | – |
| - Relating to origination and reversal of temporary differences | 4,110 | 353 | – | – |
| | 4,310 | 453 | – | – |

# **Notes to the Financial** Statements

30 June 2007

## 4. Income tax (cont'd)

### (c) *Recognised deferred tax assets and liabilities*

**Consolidated**

| | Balance sheet | | Income statement | |
|---|---|---|---|---|
| | **2007** $'000 | **2006** $'000 | **2007** $'000 | **2006** $'000 |
| ***Deferred tax assets*** | | | | |
| Losses available for offset against future taxable income | 572 | 365 | 207 | 100 |
| | 572 | 365 | | |
| ***Deferred tax liabilities*** | | | | |
| Patents and licenses | – | 4,110 | 4,110 | 353 |
| | – | 4,110 | | |
| Deferred tax income | | | 4,317 | 453 |

The taxation benefits of certain tax losses and timing differences have not been brought to account since it is not probable whether future assessable income would be derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised.

The deferred tax assets arising from revenue tax losses of the controlled entities not brought to account is in the amount of approximately $1,181,597 (2006: $3,951,135).

## 5. Director and executive disclosures

***Details of key management personnel***

*Directors:*

| | |
|---|---|
| Christopher Fullerton | (Chairman, non-executive) |
| Steven Fang | (Director, executive) |
| Christopher Ho | (Director, non-executive) |
| Alberto J. Bautista | (Director, non-executive) |
| Seow Bao Shuen | (Director, non-executive, appointed on 1 February 2007) |
| Peter Roberts | (Director, non-executive, appointed on 1 February 2007) |
| Eileen Tay | (Director, non-executive, resigned on 28 November 2006) |
| Ian Brown | (Director, executive, resigned as director on 1 February 2007) |

*Executives:*

| | |
|---|---|
| Jeremy Yee | (Chief Financial Officer) |
| Simon Lee | (Corporate Development Director) |
| Arijit Mookerjee | (Group Financial Controller) |
| Susan Kheng | (Group General Manager) |



## 5. Director and executive disclosures (cont'd)

### *Compensation of key management personnel*

The remuneration committee reviews the remuneration packages of all key management personnel on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries.

| | Short-Term | | | Post Employment | | | Share-based Payment | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Bonus $ | Others $ | Super-annuation $ | Prescribed benefits $ | Other $ | Options $ | Other benefits $ | Total $ |
| **Directors** | | | | | | | | | |
| Chris Fullerton | | | | | | | | | |
| 2007 | 60,000 | – | – | 5,400 | – | – | – | – | 65,400 |
| 2006 | 60,000 | – | – | 5,400 | – | – | – | – | 65,400 |
| Steven Fang | | | | | | | | | |
| 2007 | 285,785 | – | 26,463[#] | 8,933 | – | – | 109,375 | – | 430,556 |
| 2006 | 258,927 | – | – | 6,069 | – | – | – | – | 264,996 |
| Ian Brown | | | | | | | | | |
| 2007[^] | 138,348 | – | – | 12,456 | – | – | 87,500 | – | 238,304 |
| 2006 | 138,348 | – | – | 12,456 | – | – | – | – | 150,804 |
| Peter Roberts | | | | | | | | | |
| 2007 | 18,750 | – | – | – | – | – | – | – | 18,750 |
| Seow Bao Shuen | | | | | | | | | |
| 2007 | 18,750 | – | – | – | – | – | – | – | 18,750 |
| Eileen Tay | | | | | | | | | |
| 2007 | 18,750 | – | – | – | – | – | – | – | 18,750 |
| 2006 | 45,000 | – | – | – | – | – | – | – | 45,000 |
| Christopher Ho | | | | | | | | | |
| 2007 | 45,000 | – | – | – | – | – | – | – | 45,000 |
| 2006 | 27,250 | – | – | – | – | – | – | – | 27,250 |
| Alberto Bautista | | | | | | | | | |
| 2007 | 45,000 | – | – | – | – | – | – | – | 45,000 |
| 2006 | 15,000 | – | – | – | – | – | – | – | 15,000 |
| Mark Pykett | | | | | | | | | |
| 2006[*] | 57,503 | – | – | – | – | – | – | – | 57,503 |
| Anthony Soh | | | | | | | | | |
| 2006[*] | 17,875 | – | – | – | – | – | – | – | 17,875 |
| **Total remuneration: Directors** | | | | | | | | | |
| Total | | | | | | | | | |
| 2007 | 630,383 | – | 26,463 | 26,789 | – | – | 196,875 | – | 880,510 |
| 2006 | 619,903 | – | – | 23,925 | – | – | – | – | 643,828 |

^ Ian Brown's remuneration includes $62,835 as company executive after he resigned as Director on 1 February 2007.

* Mark Pykett and Anthony Soh resigned as directors on 23 November 2005.

\# Other short-term remuneration relates to payment for club membership.

# **Notes to the Financial** Statements

30 June 2007

## 5. Director and executive disclosures (cont'd)

| | Short-Term | | | Post Employment | | | Share-based Payment | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Bonus $ | Others $ | Super-annuation $ | Prescribed benefits $ | Other $ | Options $ | Other benefits $ | Total $ |
| **Executives** | | | | | | | | | |
| Jeremy Yee | | | | | | | | | |
| 2007 | 169,213 | – | 26,463# | 8,933 | – | – | 116,167 | – | 320,776 |
| 2006 | 144,735 | – | – | 6,069 | – | – | – | – | 150,804 |
| Simon Lee | | | | | | | | | |
| 2007 | 82,393 | – | – | 5,749 | – | – | 61,000 | – | 149,142 |
| 2006 | 78,231 | – | – | 6,069 | – | – | – | – | 84,300 |
| Arijit Mookerjee | | | | | | | | | |
| 2007* | 80,090 | – | – | 5,749 | – | – | 61,000 | – | 146,839 |
| Susan Kheng | | | | | | | | | |
| 2007 | 73,710 | – | – | 5,749 | – | – | 61,000 | – | 140,459 |
| 2006 | 61,916 | – | – | 6,069 | – | – | – | – | 67,985 |
| John Khong | | | | | | | | | |
| 2006^ | 103,194 | – | – | 1,636 | – | – | – | – | 104,830 |
| John Flickinger | | | | | | | | | |
| 2006^ | 143,151 | – | – | – | – | – | – | – | 143,151 |
| **Total remuneration: Executives** | | | | | | | | | |
| Total | | | | | | | | | |
| 2007 | 405,406 | – | 26,463 | 26,180 | – | – | 299,167 | – | 757,216 |
| 2006 | 531,227 | – | – | 19,843 | – | – | – | – | 551,070 |

* Arijit Mookerjee did not meet the definition of key management person under AASB 124 for the 2006 financial year but is a key management person for 2007 with effect from 1 July 2006.

^ John Khong and John Flickinger did not meet the definition of key management person under AASB 124 with effect from 1 July 2006.

# Other short-term remuneration relates to payment for club membership.

The compensation of key management personnel for the financial year ended 2007 includes performance related compensation. Further details of the Options and Performance Rights Plan are set out in note 19.





## 5. Director and executive disclosures (cont'd)

### *Compensation by category of key management personnel*

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** $'000 | **2006** $'000 | **2007** $'000 | **2006** $'000 |
| Short-term employee benefits | 1,088,715 | 1,151,130 | 852,522 | 764,638 |
| Post Employment benefits | 52,969 | 43,768 | 35,722 | 29,994 |
| Share-based Payment | 496,042 | – | 313,042 | – |
| | 1,637,726 | 1,194,898 | 1,201,286 | 794,632 |

### *Shareholdings of key management personnel*

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

Fully paid ordinary shares of Cordlife Ltd:

| **30 June 2007** | **Balance at 1/7/06** No. | **Granted as remuneration** No. | **Received on exercise of options** No. | **Net other change** No. | **Balance at 30/6/07** No. | **Balance held nominally** No. |
|---|---|---|---|---|---|---|
| Directors: | | | | | | |
| Christopher Fullerton | 3,000,000 | – | – | – | 3,000,000 | – |
| Steven Fang | 8,729,960 | – | – | (2,500,000) | 6,229,960 | – |
| Christopher Ho | 682,283 | – | – | 372,154 | 1,054,437 | – |
| Alberto J. Bautista | 248,480 | – | – | | 248,480 | – |
| Peter Roberts | – | – | – | 40,000 | 40,000 | – |
| Seow Bao Shuen^ | – | – | – | 11,819,448 | 11,819,448 | – |
| Ian Brown | 339,890 | – | – | – | 339,890 | – |
| Eileen Tay | – | – | – | – | – | – |
| Executives: | | | | | | |
| Jeremy Yee | 326,034 | – | – | – | 326,034 | – |
| Susan Kheng | 406,970 | – | – | – | 406,970 | – |
| Simon Lee | 425,263 | – | – | 62,025 | 487,288 | – |
| Arijit Mookerjee | – | – | – | 2,000 | 2,000 | – |
| | 14,158,880 | – | – | 9,795,627 | 23,954,507 | – |

^ Seow Bao Shuen also has interest in 35,130,060 fully paid ordinary shares of Cordlife (Hong Kong) Ltd, a subsidiary of Cordlife Ltd.

# Notes to the Financial Statements
30 June 2007

## 5. Director and executive disclosures (cont'd)

| 30 June 2006 | Balance at 1/7/05 | Granted as remuneration | Received on exercise of options | Net other change | Balance at 30/6/06 | Balance held nominally |
|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. | No. |
| Directors: | | | | | | |
| Christopher Fullerton | 2,800,000 | – | – | 200,000 | 3,000,000 | – |
| Steven Fang | 8,729,960 | – | – | – | 8,729,960 | – |
| Ian Brown | 339,890 | – | – | – | 339,890 | – |
| Eileen Tay | – | – | – | – | – | – |
| Christopher Ho | 682,283 | – | – | – | 682,283 | – |
| Alberto J. Bautista | – | – | – | 248,480 | 248,480 | – |
| Mark Pykett | 1,947,266 | – | – | (54,333) | 1,892,933 | – |
| Anthony Soh | 2,481,028 | – | – | (1,781,192) | 699,836 | – |
| Executives: | | | | | | |
| Jeremy Yee | 326,034 | – | – | – | 326,034 | – |
| John Khong | – | – | – | – | – | – |
| John Flickinger | 9,934 | – | – | – | 9,934 | – |
| Susan Kheng | 426,970 | – | – | (20,000) | 406,970 | – |
| Simon Lee | 425,263 | – | – | – | 425,263 | – |
| | 18,168,628 | – | – | (1,407,045) | 16,761,583 | – |

### *Compensation options: Granted and vested during the year*

| | Granted | | Terms & Conditions for each Grant | | | | | Vested | |
|---|---|---|---|---|---|---|---|---|---|
| | No. | Grant date | Fair value per option on grant date ($) | Exercise price per option ($) | Expiry Date | First Exercise Date | Last Exercise Date | No. | % |
| **Executive Directors** | | | | | | | | | |
| Steven Fang | 312,500 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| Ian Brown | 250,000 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| **Other key management personnel** | | | | | | | | | |
| Jeremy Yee | 250,000 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 66,666 | 1-Jun-07 | 0.43 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 316,666 | | | | | | | | |
| Simon Lee | 133,334 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 33,334 | 1-Jun-07 | 0.43 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 166,668 | | | | | | | | |
| Arijit Mookerjee | 133,334 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 33,334 | 1-Jun-07 | 0.43 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 166,668 | | | | | | | | |
| Susan Kheng | 133,334 | 28-Feb-07 | 0.35 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 33,334 | 1-Jun-07 | 0.43 | 0.00 | 1-Jul-11 | 1-Jul-07 | 1-Jul-11 | – | – |
| | 166,668 | | | | | | | | |
| Total | 1,379,170 | | | | | | | – | |

# **Notes to the Financial** Statements

30 June 2007

## 5. Director and executive disclosures (cont'd)

### *Option holdings of key management personnel*

| | | | | | | Vested at 30 June 2007 | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period 1 July 2006 | Granted as remuneration | Options exercised | Net other change | Balance at end of period 30 June 2007 | Total | Exercisable | Not exercisable |
| **Executive Directors** | | | | | | | | |
| Steven Fang | – | 312,500 | – | – | 312,500 | – | – | – |
| Ian Brown | – | 250,000 | – | – | 250,000 | – | – | – |
| **Other key management personnel** | | | | | | | | |
| Jeremy Yee | – | 316,666 | – | – | 316,666 | – | – | – |
| Simon Lee | – | 166,668 | – | – | 166,668 | – | – | – |
| Arijit Mookerjee | – | 166,668 | – | – | 166,668 | – | – | – |
| Susan Kheng | – | 166,668 | – | – | 166,668 | – | – | – |
| Total | – | 1,379,170 | – | – | 1,379,170 | – | – | – |

There were no options granted or vested during the year ended 30 June 2006

### *Remuneration philosophy*

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

### *Remuneration committee*

The Remuneration Committee reviews the remuneration packages of all executive directors and senior executives on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages contain the following key elements:

- Primary benefits – salary and allowances;
- Post-employment benefits – including superannuation and other retirement benefits; and
- Options and Performance Rights Plan.

Further details of the Options and Performance Rights Plan are set out in note 19.

### *Remuneration structure*

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

# **Notes to the Financial** Statements

30 June 2007

**5. Director and executive disclosures (cont'd)**

***Non-executive director remuneration***

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

***Employment contracts***

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

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

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

- The Company may terminate the employee's employment by giving 2 to 3 months' written notice to the employee and may make payment to them in a sum equal to the base salary they would have earned if they had been given the relevant period of notice;

# **Notes to the Financial** Statements

30 June 2007

## 5. Director and executive disclosures (cont'd)

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

## 6. Remuneration of auditors

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** $ | **2006** $ | **2007** $ | **2006** $ |
| The auditor of Cordlife Limited is Ernst and Young | | | | |
| ***Amounts received or due and receivable by Ernst & Young (Australia) for:*** | | | | |
| Audit or review of the financial report of the entity and any other entity in the consolidated group | 65,125 | 63,900 | 65,125 | 63,900 |
| | 65,125 | 63,900 | 65,125 | 63,900 |
| ***Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:*** | | | | |
| Audit or review of the financial report of the entity and any other entity in the consolidated group | 96,000 | 58,100 | 74,500 | 20,900 |
| Tax compliance services | 8,844 | 11,900 | – | – |
| | 104,844 | 70,000 | 74,500 | 20,900 |
| | 169,969 | 133,900 | 139,625 | 84,800 |
| ***Amounts received or due and receivable by non Ernst & Young audit firms for:*** | | | | |
| Review of the financial report | 3,690 | 9,666 | – | – |
| | 3,690 | 9,666 | – | – |

## 7. Trade and other receivables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Trade receivables | 1,262 | 1,308 | – | – |
| Allowance for impairment loss | (51) | (6) | – | – |
| | 1,211 | 1,302 | – | – |
| Goods and services tax (GST) receivable | 82 | 75 | 25 | 13 |
| Other – Interest receivables and other miscellaneous | 424 | 300 | 39 | 61 |
| Amounts owing from controlled entities * | – | – | 1,586 | 9,845 |
| | 1,717 | 1,677 | 1,650 | 9,919 |

* Amounts owing from controlled entities are stated after deducting allowance for impairment of $2,319,403 (2006: $215,316).

Amounts owing from associated company amounting to $512,819 had been fully provided for during the financial year.

### Terms and conditions

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

(i) Trade receivables are non-interest bearing and generally on 30 to 60 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired.

(ii) Interest receivables are due on maturity of fixed deposits. These fixed deposits have a maturity of three months or less.

(iii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

(iv) Amounts owing from controlled entities are unsecured, interest-free and are repayable upon demand.

Details regarding the credit risk of current receivables are disclosed in note 25.

## 8. Inventories

Inventories of the Group consist of finished goods carried at cost.

## 9. Investments in subsidiaries

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Investment in controlled entities - at cost (note 18) | – | – | 52,739 | 52,779 |
| Allocation of share-based payment expense | – | – | 343 | – |
| Less : Allowance for impairment in controlled entities | – | – | (19,695) | (226) |
| | – | – | 33,387 | 52,553 |

## 10. Investments in associates

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Movement in carrying amount: | | | | |
| Investments in associates - at 1 July | 298 | 388 | 723 | 388 |
| Additions | 11,495 | – | – | – |
| Less : Share of loss after income tax | (292) | (90) | – | – |
| Less : Impairment losses | (11,160) | – | – | – |
| At 30 June | 341 | 298 | 723 | 388 |

The Group has 10% interest in Pharmacell B.V., a company incorporated in the Netherlands. Pharmacell B.V. is a life sciences company providing know-how and resources for product and process design combined with GMP manufacturing in its own facility. The company is located in Maastricht, the Netherlands.

In September 2006, Cordlife Ltd disposed of its wholly-owned subsidiary, Cell Sciences Pte Ltd, in exchange for a 19.7% equity stake in DNAPro Sdn Bhd, a company incorporated in Malaysia. The Company has been granted call options whereby it can acquire up to 39% of all shares of DNAPro Sdn Bhd. The call options can be exercised after two years but not later than five years from the date of acquisition of the initial interest. Additionally, the Company may also exercise these options prior to an Initial Public Offering of DNAPro Sdn Bhd. If and when the Company exercises the call options, the purchase price for the shares will be the fair market value thereof, as independently assessed by an internationally recognised accounting firm, or if preferred and agreed by all shareholders, an alternate valuation method.

DNAPro is engaged in manufacturing and trading of biopharmaceutical products. These include hepatitis B vaccine (recombinant) and anti-cancer and anti-AIDS vaccines. It supplies various medical products to the Malaysian government and the private sector. The Company's investment in DNAPro Sdn Bhd is $335,000 (2006: nil).

In June 2006, the Company restructured its interest in Cytomatrix, its technology venture, and completed the assignment for the benefit of creditors of Cytovations, its cell therapy products and services venture. Under the restructuring, Cytomatrix LLC is now a wholly-owned subsidiary of Cytomatrix Pty Ltd. Cordlife reduced its 100% shareholding in Cytomatrix Pty Ltd and Cytomatrix LLC to 41%, with no further funding obligations under this new structure.

***Impairment of investments in associates***

Under the restructuring, Cytomatrix LLC (which holds the patented technologies) is now a wholly-owned subsidiary of Cytomatrix Pty Ltd, and with the signing of a Joint Venture Agreement with the Victorian Centre for Advanced Materials Manufacturing ("VCAMM"), Cytomatrix Pty Ltd will be jointly owned with VCAMM and inventors based at Deakin University and Barwon Health, Geelong. Cordlife now owns 41% of the Cytomatrix group, with no further funding obligations under this new structure.

With the dilution of Cordlife's interest in the Cytomatrix group, the Group recorded a write-down of investment in associated company being the net book value previously attributed to patents of $15,270,000 (2006: nil) less related deferred tax liabilities of $4,110,000 (2006: nil).

# **Notes to the Financial** Statements

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## 10. Investments in associates (cont'd)

The following table illustrates summarised financial information relating to the Group's investments in associates:

| | Consolidated | |
|---|---|---|
| | **2007** $'000 | **2006** $'000 |
| *Share of associates' balance sheet:* | | |
| Current assets | 440 | 108 |
| Non-current assets | 316 | 45 |
| Current liabilities | (332) | (180) |
| Non-current liabilities | (421) | (69) |
| Net assets/(liabilities) | 3 | (96) |
| *Share of associates' profit or loss:* | | |
| Loss before income tax | (290) | (90) |
| Income tax expense | (2) | – |
| Loss after income tax | (292) | (90) |

The Group has not recognised losses relating to an associate where its share of losses exceeds the Group's carrying amount of its investment in the associate. The Group's cumulative share of the unrecognised losses is $206,000 (2006: nil). The Group has no obligation in respect of these losses.

## 11. Plant and equipment

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** $'000 | **2006** $'000 | **2007** $'000 | **2006** $'000 |
| Leasehold improvements | | | | |
| At cost | 95 | 154 | – | – |
| Accumulated depreciation | (41) | (61) | – | – |
| | 54 | 93 | – | – |
| Office equipment | | | | |
| At cost | 800 | 875 | 24 | 24 |
| Accumulated depreciation | (573) | (459) | (14) | (7) |
| | 227 | 416 | 10 | 17 |
| Plant and equipment | | | | |
| At cost | 572 | 1,101 | – | – |
| Accumulated depreciation | (319) | (643) | – | – |
| | 253 | 458 | – | – |
| Motor vehicles | | | | |
| At cost | 38 | – | – | – |
| Accumulated depreciation | (1) | – | – | – |
| | 37 | – | – | – |
| Total plant and equipment | | | | |
| At cost | 1,505 | 2,130 | 24 | 24 |
| Accumulated depreciation | (934) | (1,163) | (14) | (7) |
| Total written down amount | 571 | 967 | 10 | 17 |



# **Notes to the Financial** Statements

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## 11. Plant and equipment (cont'd)

Reconciliation of carrying amounts at the beginning and end of period

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** $'000 | **2006** $'000 | **2007** $'000 | **2006** $'000 |
| Leasehold improvements | | | | |
| Cost | 154 | 142 | – | – |
| Accumulated depreciation | (61) | (23) | – | – |
| Net carrying amount at beginning | 93 | 119 | – | – |
| Additions | 3 | 6 | – | – |
| Disposals | (11) | – | – | – |
| Depreciation expense | (20) | (36) | – | – |
| Exchange rate adjustment | (11) | 4 | – | – |
| | 54 | 93 | – | – |
| Office equipment | | | | |
| Cost | 875 | 551 | 24 | 19 |
| Accumulated depreciation | (459) | (98) | (7) | (2) |
| Net carrying amount at beginning | 416 | 453 | 17 | 17 |
| Acquisition | – | 7 | – | – |
| Additions | 166 | 117 | 2 | 6 |
| Disposals | (38) | – | (1) | – |
| Assets included in discontinued operations | (13) | – | – | – |
| Depreciation expense | (275) | (199) | (8) | (6) |
| Exchange rate adjustment | (29) | 38 | – | – |
| | 227 | 416 | 10 | 17 |
| Plant and equipment | | | | |
| Cost | 1,101 | 536 | – | – |
| Accumulated depreciation | (643) | (50) | – | – |
| Net carrying amount at beginning | 458 | 486 | – | – |
| Additions | 259 | 61 | – | – |
| Disposals | (316) | – | – | – |
| Depreciation expense | (98) | (119) | – | – |
| Exchange rate adjustment | (50) | 30 | – | – |
| | 253 | 458 | – | – |
| Motor vehicles | | | | |
| Cost | – | – | – | – |
| Accumulated depreciation | – | – | – | – |
| Net carrying amount at beginning | – | – | – | – |
| Additions | 41 | – | – | – |
| Depreciation expense | (1) | – | – | – |
| Exchange rate adjustment | (3) | – | – | – |
| | 37 | – | – | – |

Motor vehicle is pledged as security for the related finance lease liabilities.

# **Notes to the Financial** Statements

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## 12. Intangible assets and goodwill

| | Consolidated 2007 $'000 | 2006 $'000 |
|---|---|---|
| Goodwill | 28,241 | 28,241 |
| Write-off of goodwill | (498) | – |
| | 27,743 | 28,241 |
| Patents | 18,928 | 18,928 |
| Accumulated amortisation | (3,650) | (2,524) |
| Disposals - discontinued operations | (15,270) | – |
| Exchange rate adjustment | (8) | (8) |
| | – | 16,396 |
| Licenses | 692 | 692 |
| Accumulated amortisation | (629) | (625) |
| Disposals - discontinued operations | (10) | – |
| Exchange rate adjustment | (53) | (53) |
| | – | 14 |
| Software | 73 | – |
| Accumulated amortisation | (11) | – |
| | 62 | – |
| | 27,805 | 44,651 |

The aggregate amortisation for the year was $1,140,582 (2006: $1,442,728). There are no intangible assets held by the Company.

***Reconciliation of carrying amounts at the beginning and end of period***

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

| | Consolidated 2007 $'000 | 2006 $'000 |
|---|---|---|
| Goodwill | | |
| Cost | 28,241 | 27,998 |
| Accumulated amortisation | – | – |
| Net carrying amount at beginning | 28,241 | 27,998 |
| Acquisition of a subsidiary ( Note 23(b)) | – | 243 |
| Write-off of goodwill | (498) | – |
| | 27,743 | 28,241 |
| Patents | | |
| Cost | 18,919 | 18,919 |
| Accumulated amortisation | (2,523) | (1,287) |
| Net carrying amount at beginning | 16,396 | 17,632 |
| Disposals | (15,270) | – |
| Amortisation expense | (1,126) | (1,237) |
| Exchange rate adjustment | – | 1 |
| | – | 16,396 |

## 12. Intangible assets and goodwill (cont'd)

| | Consolidated 2007 $'000 | 2006 $'000 |
|---|---|---|
| **Licenses** | | |
| Cost | 634 | 634 |
| Accumulated amortisation | (620) | (419) |
| Net carrying amount at beginning | 14 | 215 |
| Disposals | (10) | – |
| Amortisation expense | (4) | (206) |
| Exchange rate adjustment | – | 5 |
| | – | 14 |
| **Software** | | |
| Cost | – | – |
| Accumulated amortisation | – | – |
| Net carrying amount at beginning | – | – |
| Additions | 78 | – |
| Amortisation expense | (11) | – |
| Exchange rate adjustment | (5) | – |
| | 62 | – |

(a) ***Description of the Group's intangible assets and goodwill***

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Patents and licences include intangible assets acquired through business combinations and are carried at cost less accumulated impairment and amortisation losses. Intangibles assessed as having a finite life are amortised using the straight line method over the estimated useful life of the asset (patents – 14 to 16 years and licences – 5 years).

Software is carried at cost less accumulated amortisation and impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 years.

The amortisation of intangibles with finite lives has been recognised in the income statement in the line item "administration expenses". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(b) ***Disposals and write-off of goodwill due to discontinued operations***

In June 2007, the Company completed the assignment for the benefit of creditors of Cytovations, its cell therapy product development business. This resulted in a write-off of goodwill related to the spinners business of $498,000.

**12. Intangible assets and goodwill (cont'd)**

(c) ***Impairment test for goodwill***

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

- Cord blood banking business in Singapore (including Indonesia);
- Cord blood banking business in Hong Kong; and
- Cord blood banking business in Australia

*Cord blood banking business in Singapore (including Indonesia)*

The recoverable amount of the cord blood banking business has been determined based on a value in use calculation using cash flow projections based on financial forecasts covering a 17-year period. The pre-tax discount rate applied to cash flow projections is 15% (2006: 15%). Cash flows beyond five years are projected using a 4% average growth rate (2006: 4%) for the Singapore market and a 8% average growth rate (2006: 8%) for the Indonesia market, which are the expected long-term average growth rates for the cord blood banking business in these markets.

*Cord blood banking business in Hong Kong*

The recoverable amount of the cord blood banking business has been determined based on a value in use calculation using cash flow projections based on financial forecasts covering a 17-year period. The pre-tax discount rate applied to cash flow projections is 15% (2006: 15%) and cash flows beyond five years are projected using a 6% average growth rate (2006: 6%), which is the expected long-term average growth rate for the cord blood banking business in this market.

*Cord blood banking business in Australia*

The recoverable amount of the cord blood banking business has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period. The discount rate applied to cash flow projections is 15% (2006: 15%) and cash flows beyond the three-year period are extrapolated using a 4% average growth rate (2006: 4%), which is the expected long-term average growth rate for the cord blood banking business in this market.

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

| | Consolidated | |
|---|---|---|
| | **2007** | **2006** |
| | $'000 | $'000 |
| **Cash generating unit** | | |
| Cord blood banking business in Singapore (including Indonesia) | 22,980 | 22,980 |
| Cord blood banking business in Hong Kong | 4,520 | 4,520 |
| Cord blood banking business in Australia | 243 | 243 |
| Spinners business | – | 498 |
| Carrying amount of goodwill | 27,743 | 28,241 |



## 12. Intangible assets and goodwill (cont'd)

***Key assumptions used in value in use calculations for the cash generating units for 30 June 2007 and 30 June 2006***

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

- Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the gross margin achieved in the year immediately before the budgeted year. Thus, values assigned to gross margins reflect past experience.
- Cash flow projections include expected cash flows from annual storage fees receivable.
- Terminal values have been assumed as zero at the end of the projected period.
- The discount rate applied to cash flow projections is 15%.

## 13. Trade and other payables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** $'000 | **2006** $'000 | **2007** $'000 | **2006** $'000 |
| Trade payables | 596 | 737 | – | – |
| Goods and services tax (GST) payable | 106 | 32 | – | – |
| Other – non-trade payables and accruals | 1,243 | 687 | 554 | 167 |
| Annual leave entitlements | 185 | 191 | 56 | 74 |
| Amounts due to controlled entities | – | – | 3,113 | 3,669 |
| | 2,130 | 1,647 | 3,723 | 3,910 |

### Terms and conditions

(i) Trade payables are non-interest bearing and are normally settled on 60-day terms.

(ii) Amounts due to controlled entities are interest-free and are repayable upon demand.

## 14. Contributed equity

| | Consolidated and Company | |
|---|---|---|
| | **2007** $'000 | **2006** $'000 |
| 78,200,000 (2006: 68,000,000) fully paid ordinary shares | 68,412 | 65,148 |
| Fully paid ordinary shares : | | |
| Balance at beginning of financial year | 65,148 | 65,148 |
| Issue of shares | 3,264 | – |
| Balance at end of financial year | 68,412 | 65,148 |

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

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

## 15. Reserves

***Nature and purpose of reserves***

*Foreign currency translation reserve*

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

*Employee equity benefits reserve*

The employee equity benefits reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 19 for further details of this Plan.

## 16. Earnings per share

***Basic and diluted earnings per share***

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | Consolidated | |
|---|---|---|
| | **2007** | **2006** |
| | $'000 | $'000 |
| *(a) Earnings used in calculating earnings per share* | | |
| Net loss from continuing operations attributable to ordinary equity holders of the parent | (5,427) | (2,965) |
| Loss attributable to discontinued operations | (15,173) | (3,638) |
| Net loss attributable to ordinary equity holders of the parent | (20,600) | (6,603) |
| | '000 | '000 |
| *(b) Weighted average number of shares* | | |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 74,763 | 68,000 |

## 17. Commitments

***Operating lease commitments***

Operating leases relate to office premises with lease terms of between 2 to 4 years, with an option to extend for a further 1 to 3 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

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

| | Consolidated | |
|---|---|---|
| | **2007** | **2006** |
| | $'000 | $'000 |
| Within one year | 406 | 472 |
| After one year and not more than 5 years | 864 | 211 |
| More than 5 years | – | – |
| | 1,270 | 683 |

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## 17. Commitments (cont'd)

***Finance lease commitments***

Commitments under finance leases as at 30 June are as follows :

| | Consolidated | | | |
|---|---|---|---|---|
| | **Minimum lease payments** | **Present value of payments** | **Minimum lease payments** | **Present value of payments** |
| | **2007** $'000 | **2007** $'000 | **2006** $'000 | **2006** $'000 |
| Within one year | 15 | 13 | – | – |
| After one year but not more than five years | 27 | 23 | – | – |
| Total minimum lease payments | 42 | 36 | – | – |
| Less: Amounts representing finance charges | (6) | – | – | – |
| Present value of minimum lease payments | 36 | 36 | – | – |

The weighted average interest rate implicit in the lease is 7% (2006 : nil).

## 18. Controlled entities

| **Name of company** | **Country of incorporation** | **Cost of investment** | | **Percentage of equity held by the Parent** | |
|---|---|---|---|---|---|
| | | **2007** $'000 | **2006** $'000 | **2007** % | **2006** % |
| **Parent entity** | | | | | |
| Cordlife Ltd | Australia | | | | |
| **Controlled entities** | | | | | |
| Cordlife Pte Ltd | Singapore | 50,000 | 50,000 | 100 | 100 |
| Cell Sciences Pte Ltd @ | Singapore | – | 1,114 | – | 100 |
| CLS Services Pte Ltd~ | Singapore | 753 | – | 100 | 100 |
| Cordlife International Pte Ltd^ | Singapore | – | – | 100 | 100 |
| CyGenics (Singapore) Pte Ltd | Singapore | 83 | * | 100 | 100 |
| Cytomatrix LLC @ | USA | – | * | – | 100 |
| Cytovations Inc @ | USA | – | 1 | – | 100 |
| Cell Sciences Therapeutics Inc | USA | * | * | 100 | 100 |
| Cordlife (M) Sdn Bhd^ | Malaysia | – | – | 100 | 100 |
| Cordlife Pty Ltd^ | Australia | – | – | 100 | 100 |
| Cytomatrix Pty Ltd @ | Australia | – | * | – | 100 |
| Biocell Pty Ltd | Australia | 874 | 635 | 57 | 51 |
| CyGenics UK Ltd | United Kingdom | 3 | 3 | 100 | 100 |
| Cordlife (Hong Kong) Ltd | Hong Kong | 609 | 609 | 51 | 51 |
| Shanghai Cordlife Stem Cell Research Co. Ltd^ | People's Republic of China | – | – | 100 | 100 |

# Notes to the Financial Statements
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## 18. Controlled entities (cont'd)

| Name of company | Country of incorporation | Cost of investment 2007 $'000 | 2006 $'000 | Percentage of equity held by the Parent 2007 % | 2006 % |
|---|---|---|---|---|---|
| Cordlife Sciences Ltd | Thailand | 101 | 101 | 100 | 100 |
| CyGenics (Thailand) Ltd# | Thailand | 15 | 15 | 49 | 49 |
| Cordlife Sciences (India) Pvt Ltd+ | India | – | – | 85 | 85 |
| PT Cordlife Indonesia^ | Indonesia | – | – | 51 | 100 |
| Cordlife Medical Phils Inc. | Philippines | 269 | 269 | 100 | 100 |
| CLS Services B.V. | Europe | 32 | 32 | 100 | 100 |
| | | 52,739 | 52,779 | | |

^ Investments held by Cordlife Pte Ltd

~ Investments previously held by Cell Sciences Pte Ltd

+ Investments held by CyGenics (Singapore) Pte Ltd

@ Disposed during the year

* Amount less than $1,000

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

The loss on disposal of subsidiaries for the year was $7,316,000 (2006: nil). Included in this is an amount of $6,595,672 due from Cytomatrix Pty Ltd to the Company which was converted to equity during the year. Cytomatrix Pty Ltd was disposed during the year for an amount of nil.

## 19. Share-based payment plan

### (a) *Recognised share-based payment expense*

The expense recognised during the year is as follows :

| | Consolidated 2007 $'000 | Consolidated 2006 $'000 | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|
| Expense arising from equity-settled share-based payment transactions | 577 | – | 234 | – |

### (b) *Type of share-based payment plan*

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

**19. Share-based payment plan (cont'd)**

(b) ***Type of share-based payment plan (cont'd)***

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

Performance rights are granted to each employee depending on the extent to which specific Key Result Areas ("KRAs") set at the beginning of the financial year are met. The KRAs cover both financial and non-financial corporate and individual measures of performance. Typically included are measures such as contribution to revenue, customer service, risk management, product management and leadership contributions. These measures were chosen as they represent the key drivers for success of the business and provide a framework for delivering long-term value.

On an annual basis, after consideration of performance against KRAs, the Remuneration Committee, in line with their responsibilities, determine the amount of performance rights to be granted to each employee. This process usually occurs within 3 months after the reporting date.

In February 2007, performance hurdles were established and specific allocation details were approved by the Remuneration Committee.

For the financial year ended 30 June 2007, none of the performance rights granted were forfeited. The vesting conditions related to the employees meeting their service and performance criteria for financial years 2006 and 2007.

The vesting period of the options is 1 to 2 years and the exercise price of all options granted is $0.00 per option. There are no cash settlement alternatives.

(c) ***Summary of options granted under the Plan***

The following table illustrates the number of and movements in share options issued during the year:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2007<br>$'000 | 2006<br>$'000 | 2007<br>$'000 | 2006<br>$'000 |
| Outstanding at the beginning of the year | – | – | – | – |
| Granted during the year | 2,832,507 | – | 2,832,507 | – |
| Outstanding at the end of the year | 2,832,507 | – | 2,832,507 | – |
| Exercisable at the end of the year | – | – | – | – |

There were no options which were forfeited, expired or lapsed during the year.

(d) ***Weighted average fair value***

The weighted average fair value of options granted during the year was $0.35 (2006: nil).

### 19. Share-based payment plan (cont'd)

(e) ***Option pricing model***

The fair value of the share options granted under the Plan is estimated as at the date of grant using a Black-Scholes Pricing Model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the year ended 30 June 2007 is shown below:

| | |
|---|---|
| Dividend yield (%) | 0.00 |
| Expected volatility (%) | 103.00 |
| Risk-free interest rate (%) | 5.85 |
| Expected life of option (years) | 5.00 |
| Weighted average share price at measurement date ($) | 0.35 |

The expected volatility was determined using historical volatility observed over the 24 months share price movement. It reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

### 20. Segment information

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

***Products and services within each business segment***

For management purposes, the consolidated entity is organised into four major operating divisions – cord blood banking, cell therapeutics, clinical and travel related support services and research and other products. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

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

* These business segments have been classified as discontinued operations and disclosed accordingly in the financial statements. The relevant entities in the segments of cell therapeutics and research and other products were disposed during the financial year. The entities in clinical and travel related support services are in the process of being disposed of.



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## 20. Segment information (cont'd)

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

### *Products and services within each geographical segment*

The Group's geographical segments are determined based on the location of the Group's assets.

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

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

### *Business segments – continuing operations*

| | External sales $'000 | Inter-segment $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| ***Segment revenues*** | | | | |
| **Year ended 30.6.2007** | | | | |
| Cord blood banking | 5,517 | – | 16 | 5,533 |
| Total segment revenue | | | | 5,533 |
| Unallocated revenue: | | | | |
| Interest | | | | 118 |
| Other | | | | 85 |
| Consolidated | | | | 5,736 |
| **Year ended 30.6.2006** | | | | |
| Cord blood banking | 3,597 | – | 4 | 3,601 |
| Total segment revenue | | | | 3,601 |
| Unallocated revenue: | | | | |
| Interest | | | | 418 |
| Other | | | | 33 |
| Consolidated | | | | 4,052 |

# **Notes to the Financial** Statements

30 June 2007

## 20. Segment information (cont'd)

### *Segment results*

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| **Continuing operations:** | | |
| Cord blood banking: | | |
| - Singapore | (424) | (351) |
| - Hong Kong | (416) | (396) |
| - Australia | (854) | (682) |
| - Other markets under development | (880) | (515) |
| | (2,574) | (1,944) |
| Eliminations | 155 | 664 |
| Unallocated: | | |
| Share of loss of associates | (292) | (90) |
| Share-based payment expense | (577) | – |
| Other unallocated | (2,706) | (2,271) |
| Loss from continuing operations before income tax | (5,994) | (3,641) |
| Income tax benefit – deferred tax | 207 | 100 |
| Income tax expense – current tax | (7) | – |
| Net loss from continuing operations after income tax | (5,794) | (3,541) |
| **Discontinued operations:** | | |
| Research and other products | (67) | (632) |
| Cell therapeutics | (18,811) | (3,110) |
| Clinical and travel related support services | (405) | (249) |
| | (19,283) | (3,991) |
| Income tax benefit – deferred tax | 4,110 | 353 |
| | (15,173) | (3,638) |
| Net loss for the year | (20,967) | (7,179) |



# **Notes to the Financial** Statements

30 June 2007

## 20. Segment information (cont'd)

| | Assets $'000 | Liabilities $'000 |
|---|---|---|
| ***Segment assets and liabilities*** | | |
| **30.6.2007** | | |
| Cord blood banking | 38,961 | 8,138 |
| Cell therapeutics | – | – |
| Clinical and travel related support services | 290 | 262 |
| Research and other products | – | – |
| Total of all segments | 39,251 | 8,400 |
| Eliminations | (5,482) | (4,191) |
| Unallocated | 1,767 | 843 |
| Consolidated | 35,536 | 5,052 |
| ***Segment assets and liabilities*** | | |
| **30.6.2006** | | |
| Cord blood banking | 36,107 | 3,450 |
| Cell therapeutics | 17,015 | 11,762 |
| Clinical and travel related support services | 939 | 1,042 |
| Research and other products | 2,211 | 1,040 |
| Total of all segments | 56,272 | 17,294 |
| Eliminations | (5,865) | (12,023) |
| Unallocated | 3,817 | 1,311 |
| Consolidated | 54,224 | 6,582 |

| | Cord blood banking $'000 | Cell therapeutics $'000 | Research products $'000 | Clinical and travel related support services $'000 | Unallocated $'000 | Eliminations $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| ***Other segment information*** | | | | | | | |
| **Year ended 30.6.2007** | | | | | | | |
| Depreciation and amortisation of segment assets | 370 | 1,203 | 2 | 12 | 25 | – | 1,612 |
| Acquisition of plant and equipment and intangible assets | 516 | – | – | 1 | 25 | – | 542 |
| **Year ended 30.6.2006** | | | | | | | |
| Depreciation and amortisation of segment assets | 244 | 1,492 | 38 | 10 | 13 | – | 1,797 |
| Acquisition of plant and equipment and intangible assets | 305 | 350 | 10 | 44 | 36 | (311) | 434 |

# **Notes to the Financial** Statements

30 June 2007

## 20. Segment information (cont'd)

### *Geographical segments*

| | Revenue from external customers $'000 | Segment assets $'000 |
|---|---|---|
| **Year ended 30.6.2007** | | |
| Asia | 4,411 | 32,310 |
| Australia | 1,323 | 3,085 |
| Europe | 2 | 141 |
| | 5,736 | 35,536 |
| **Year ended 30.6.2006** | | |
| Asia | 3,224 | 33,105 |
| North America | – | 17,162 |
| Australia | 827 | 3,808 |
| Europe | 1 | 149 |
| | 4,052 | 54,224 |

### *Other segment information*

| | Asia $'000 | North America $'000 | Australia $'000 | Europe $'000 | Eliminations $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30.6.2007** | | | | | | |
| Acquisition of plant and equipment and intangible assets | 466 | – | 76 | – | – | 542 |
| **Year ended 30.6.2006** | | | | | | |
| Acquisition of plant and equipment and intangible assets | 130 | 345 | 270 | – | (311) | 434 |

## 21. Related party disclosures

(a) ***Equity interests in related parties***

*Equity interests in controlled entities*

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 18 to the financial statements.





## 21. Related party disclosures (cont'd)

### (b) *Transactions between subsidiaries*

During the financial year, sale and purchase transactions between subsidiaries amounted to $140,000 (2006: $490,000). Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. There were no other transactions between the Company and its subsidiaries or between subsidiaries during the current or the previous financial year.

### (c) *Transactions with associate*

During the financial year, purchase transactions between a subsidiary and an associated company amounted to $265,000 (2006: nil). Purchases are made in arm's length transactions both at normal market prices and on normal commercial terms. There were no other transactions between the Company or any of its subsidiaries and the associated companies during the current or the previous financial year.

### (d) *Guarantee*

Cordlife Ltd has guaranteed the bank overdraft facility of its subsidiary Cordlife Pte Ltd up to a maximum amount of $385,000 (2006: $429,000). At 30 June 2007, the facility amount was unused.

## 22. Events after the balance sheet date

On 26 June 2007, the Company entered into an agreement to allot and issue 11,730,000 ordinary shares at an issue price of $0.68 per share to China Stem Cells (East) Company Limited ("CSC"). CSC and its affiliated companies operate cord blood banking businesses in the People's Republic of China. The shares were issued in the first week of July 2007. The $7,976,400 raised in the first week of July 2007 from this placement will be used towards working capital requirements, including expansion of the Company's businesses in India and Indonesia.

## 23. Notes to the cash flow statement

### (a) Reconciliation of cash

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2007**<br>$'000 | **2006**<br>$'000 | **2007**<br>$'000 | **2006**<br>$'000 |
| For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June: | | | | | |
| Cash at bank and in hand | | 3,740 | 5,018 | 1,275 | 2,504 |
| Term deposits with banks | | 519 | 606 | – | – |
| Others – money market instruments with banks | | – | 70 | – | – |
| | | 4,259 | 5,694 | 1,275 | 2,504 |
| Cash at bank and in hand attributable to discontinued operations | 24(d) | 161 | – | – | – |
| Cash and cash equivalents | | 4,420 | 5,694 | 1,275 | 2,504 |

# Notes to the Financial Statements

30 June 2007

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

### (a) Reconciliation of cash (cont'd)

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

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

The consolidated entity had a cash balance of $4,420,390 at 30 June 2007 (2006: $5,693,795) earning a variable annual interest rate of approximately 4.4% (2006: 4.0%).

### (b) Businesses acquired

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** $'000 | **2006** $'000 | **2007** $'000 | **2006** $'000 |
| Details of acquisitions during the financial year are as follows: | | | | |
| ***Consideration :*** | | | | |
| Ordinary shares | – | – | – | – |
| | – | – | – | – |
| ***Fair value of identifiable net assets acquired*** | | | | |
| Current assets: | | | | |
| Cash | – | 7 | – | – |
| Receivables | – | 826 | – | – |
| Non-current assets: | | | | |
| Plant and equipment | – | 7 | – | – |
| Current liabilities: | | | | |
| Payables | – | (278) | – | – |
| Fair value of identifiable net assets acquired | – | 562 | – | – |
| Cordlife Ltd's interest in the fair value of identifiable net assets | | | | |
| Net assets acquired | – | 287 | – | – |
| Goodwill on acquisition | – | 243 | – | – |
| Consideration * | – | 530 | – | – |
| ***Net cash inflow on acquisition*** | | | | |
| Cash consideration* | – | – | – | – |
| Less: cash balances acquired | – | 7 | – | – |
| | – | 7 | – | – |

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

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

### (c) Financing facilities

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Unsecured bank overdraft facility, reviewed annually and payable at call: | | | | |
| - Amount used | – | – | – | – |
| - Amount unused | 385 | 429 | – | – |
| | 385 | 429 | – | – |
| Credit standby arrangement - LC and credit card facilities: | | | | |
| - Amount used | – | 93 | – | – |
| - Amount unused | – | 154 | – | – |
| | – | 247 | – | – |

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Net loss for the year | (20,967) | (7,179) | (31,990) | (2,044) |
| Depreciation and amortisation of non-current assets | 1,612 | 1,797 | 8 | 6 |
| Allowance for impairment of subsidiaries | – | – | 19,695 | 226 |
| Interest received | 120 | 543 | 91 | 506 |
| Interest and finance costs paid | (6) | (3) | – | – |
| Share of results of associates | 292 | 90 | – | – |
| Income tax expense - deferred tax | (4,310) | (453) | – | – |
| Write-off of goodwill | 498 | – | – | – |
| Write-down of investment in associated company | 15,270 | – | – | – |
| Share-based payment expense | 577 | – | 234 | – |
| Loss on disposal of subsidiaries | 163 | – | 7,316 | – |
| Allowance for impairment in amount owing from associated company | 513 | – | 513 | – |
| Allowance for impairment in amount owing from subsidiaries | – | – | 2,104 | 215 |
| Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses: | | | | |
| (Increase)/decrease in assets: | | | | |
| Receivables | (709) | (1,107) | 1,445 | 431 |
| Inventories | 522 | (315) | – | – |
| Increase/(decrease) in liabilities: | | | | |
| Payables | 2,361 | 1,652 | (187) | 44 |
| Net cash used in operating activities | (4,064) | (4,975) | (771) | (616) |

# **Notes to the Financial** Statements

30 June 2007

## 24. Discontinued operations

(a) ***Details of operations disposed***

On 1 September 2006, the Company disposed of its wholly-owned subsidiary, Cell Sciences Pte Ltd, a company engaged in the manufacture of stem-cell related products and distribution of medical equipment. This company formed a part of the research and other products business segment of the Group's operations.

On 29 June 2007, the Company restructured its interest in Cytomatrix Pty Ltd and Cytomatrix LLC, its technology venture, and commenced liquidation of Cytovations Inc, its cell therapy products and services venture. These companies made up the cell therapeutics and the remaining part of the research and other products business segment of the Group's operations.

The disposal of these companies has enabled the Company to focus on its core cord blood banking business, with no outflows on technology and product development activities.

During the year, the Company also ceased operations of CLS Services Pte Ltd and CLS Services B.V. These companies made up the clinical and travel related support services business segment of the Group's operations. The Company will proceed to dispose of these two entities in the first quarter of the 2008 financial year.

(b) ***Financial performance of operations disposed***

The results of the discontinued operations for the year until disposal are presented below:

| | 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cell Sciences $ '000 | Cytomatrix Pty Ltd $ '000 | Cytomatrix LLC $ '000 | Cytovations Inc $ '000 | CLS Services Pte Ltd $ '000 | CLS Services B.V $ '000 | Total $ '000 |
| Revenue | 585 | 6 | 1 | 397 | 1,315 | – | 2,304 |
| Expenses | (652) | (412) | (16,859) | (1,944) | (1,714) | (6) | (21,587) |
| Gross loss | (67) | (406) | (16,858) | (1,547) | (399) | (6) | (19,283) |
| Finance costs | – | – | – | – | – | – | – |
| Loss before tax from discontinued operations | (67) | (406) | (16,858) | (1,547) | (399) | (6) | (19,283) |
| Tax | – | – | 4,110 | – | – | – | 4,110 |
| Loss for the year from discontinued operations | (67) | (406) | (12,748) | (1,547) | (399) | (6) | (15,173) |

## 24. Discontinued operations (cont'd)

### (b) *Financial performance of operations disposed (cont'd)*

| | 2006 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cell Sciences $ '000 | Cytomatrix Pty Ltd $ '000 | Cytomatrix LLC $ '000 | Cytovations Inc $ '000 | CLS Services Pte Ltd $ '000 | CLS Services B.V $ '000 | Total $ '000 |
| Revenue | 739 | 237 | 619 | 48 | 2,421 | 155 | 4,219 |
| Expenses | (1,371) | (859) | (2,374) | (714) | (2,810) | (15) | (8,143) |
| Gross profit/ (loss) | (632) | (622) | (1,755) | (666) | (389) | 140 | (3,924) |
| Finance costs | – | – | (67) | – | – | – | (67) |
| Profit/ (loss) before tax from discontinued operations | (632) | (622) | (1,822) | (666) | (389) | 140 | (3,991) |
| Tax | – | – | 353 | – | – | – | 353 |
| Profit/ (loss) for the year from discontinued operations | (632) | (622) | (1,469) | (666) | (389) | 140 | (3,638) |

### (c) *Assets and liabilities of disposed entities*

The major classes of assets and liabilities of the group of companies disposed of during the year are as follows:

| | 2007 | | | | |
|---|---|---|---|---|---|
| | Cell Sciences $ '000 | Cytomatrix Pty Ltd $ '000 | Cytomatrix LLC $ '000 | Cytovations Inc $ '000 | Total $ '000 |
| Assets: | | | | | |
| Plant and equipment | 14 | 4 | 1 | 355 | 374 |
| Intangibles | – | 10 | 2 | – | 12 |
| Inventory | 377 | – | – | 83 | 460 |
| Trade and other receivables | 138 | 36 | 172 | 134 | 480 |
| Cash and cash equivalents | 90 | 4 | 14 | 12 | 120 |
| | 619 | 54 | 189 | 584 | 1,446 |
| Liabilities: | | | | | |
| Trade and other payables | (733) | (56) | (20) | (131) | (940) |
| Net assets | (114) | (2) | 169 | 453 | 506 |

## 24. Discontinued operations (cont'd)

### (d) *Assets and liabilities of discontinued operations not yet disposed of*

The major classes of assets and liabilities of CLS Services Pte Ltd and CLS Services B.V as at 30 June 2007 are as follows:

| | 2007 | | |
|---|---|---|---|
| | CLS Services Pte Ltd $ '000 | CLS Services B.V $ '000 | Total $ '000 |
| Assets: | | | |
| Plant and equipment | 13 | – | 13 |
| Trade and other receivables | 45 | 2 | 47 |
| Cash and cash equivalents | 27 | 134 | 161 |
| | 85 | 136 | 221 |
| Liabilities: | | | |
| Trade and other payables | (43) | – | (43) |
| Net assets | 42 | 136 | 178 |

### (e) *Net cash outflow of disposed entities*

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Cash consideration | – | – | – | – |
| Less: cash balances disposed (Note 24 (c)) | (120) | – | – | – |
| | (120) | – | – | – |

## 25. Financial risk management objectives and policies

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

### (a) *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.





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

(b) ***Cash flow interest rate risk***

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

(c) ***Foreign currency risk***

As a result of significant operations in Singapore, Hong Kong, Indonesia and India the Group's balance sheet can be affected by movements in the S$/A$, HKS$/A$, IDR/A$ and INR/A$ exchange rates. The Group did not seek to hedge this exposure. The Company has established a treasury function, co-ordinated within the finance department, responsible for managing the Group's currency risks and finance facilities. The treasury function operates within policies set by the Board, which ensures that management's actions are in line with group policy.

(d) ***Commodity price risk***

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

(e) ***Credit risk***

Most of the customers are parents, who are individuals, and therefore the Group can be potentially subjected to credit risks. To mitigate such risks, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The nature of the cord blood banking business whereby the child's stem cells are stored with the Company seems to indicate that the chances of default in payment are minimal. This is further evidenced by historically minimal incidences of bad debts.

(f) ***Liquidity risk***

The Group's exposure to liquidity risk is minimal.

## 26. Financial instruments

***Fair values***

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represents a reasonable approximation of fair value unless otherwise stated in the applicable notes.

## 27. Dividends

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

Adjusted franking account balance (tax paid basis) is Nil (2006: nil).

# **Additional Stock Exchange** Information

as at 20 September 2007

### Number of holders of equity securities

***Ordinary share capital***

91,050,677 fully paid ordinary shares are held by 558 individual shareholders.

All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities

| | Fully paid ordinary shares |
|---|---|
| 1 - 1,000 | 37 |
| 1,001 - 5,000 | 200 |
| 5,001 - 10,000 | 84 |
| 10,001 - 100,000 | 178 |
| 100,001 and over | 59 |
| | **558** |
| Holding less than a marketable parcel | 21 |

### Securities subject to escrow

Details of number and class of securities subject to escrow that are on issue and the dates that the escrow periods end are set out below:

| Fully paid ordinary shares | Date that the escrow period ends |
|---|---|
| – | Not applicable |
| – | |



# **Additional Stock Exchange** Information

as at 20 September 2007

| **Substantial shareholders** | **Fully paid** | |
|---|---|---|
| Ordinary shareholders | **Number** | **Percentage** |
| Citicorp Nominees Pty Ltd | 12,385,134 | 13.60% |
| China Stem Cells (East) Company Ltd | 11,730,000 | 12.88% |
| BS Fund Management Pte Ltd | 11,689,448 | 12.84% |
| HSBC Custody Nominees (Australia) Ltd | 7,249,873 | 7.96% |
| ANZ Nominees Limited | 5,006,116 | 5.50% |
| | **48,060,571** | **52.78%** |

| **Twenty largest holders of quoted equity securities** | | **Fully paid** | |
|---|---|---|---|
| Ordinary shareholders | | **Number** | **Percentage** |
| 1) | Citicorp Nominees Pty Ltd | 12,385,134 | 13.60% |
| 2) | China Stem Cells (East) Company Ltd | 11,730,000 | 12.88% |
| 3) | BS Fund Management Pte Ltd | 11,689,448 | 12.84% |
| 4) | HSBC Custody Nominees (Australia) Ltd | 7,249,873 | 7.96% |
| 5) | ANZ Nominees Limited | 5,006,116 | 5.50% |
| 6) | CIMB-GK Securities Pte Ltd | 3,725,435 | 4.09% |
| 7) | Ms Lai Na Chiu | 3,707,900 | 4.07% |
| 8) | Mandalay Capital Pty Ltd | 3,000,000 | 3.29% |
| 9) | National Nominees Limited | 2,924,282 | 3.21% |
| 10) | Tantalum Cellular Products LLC | 2,566,972 | 2.82% |
| 11) | Ms Betty Hui | 2,500,000 | 2.75% |
| 12) | NEFCO Nominees Pty Ltd | 1,748,153 | 1.92% |
| 13) | Tiong Aik Corporation Pte Ltd | 1,230,514 | 1.35% |
| 14) | Christopher Ho Han Siong | 1,054,437 | 1.16% |
| 15) | Merrill Lynch (Australia) Nominees Pty Ltd | 1,021,554 | 1.12% |
| 16) | UOB Kay Hian Pte Ltd | 972,925 | 1.07% |
| 17) | Arrow Asia Opportunity Fund Ltd | 914,148 | 1.00% |
| 18) | Mr Ben Chng Kee Cheong | 868,000 | 0.95% |
| 19) | PBC Investments Pty Limited | 660,000 | 0.72% |
| 20) | Mr Lee Moh Ming | 487,288 | 0.54% |

# **Additional Stock Exchange** Information

as at 20 September 2007

**Company secretary**

Mr Andrew Lord
Lovegrove and Lord
Commercial & Construction Lawyers
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**Registered office and Principal administration office**

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Melbourne, Victoria 3000
Australia
Tel: +61 (0) 3 9642 5580

**Share registry**

Link Market Services Ltd
Level 4, 333 Collins Street
Melbourne, Victoria 3000
Australia
Tel: +61 (0) 3 9615 9932

**Other ASX information for recently listed entities**

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

# **Auditor's Independence** Declaration

ERNST & YOUNG


Ernst & Young Building
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Australia

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Melbourne VIC 3001

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


**Auditor's Independence Declaration to the Directors of Cordlife Limited**

In relation to our audit of the financial report of Cordlife Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Don Brumley
Partner

Melbourne
27 September 2007


Today’s *Technology,*
Tomorrow’s *Therapy*

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