

# **Clinical Cell Culture Europe Limited**

## **Report and Financial Statements**

30 June 2006



# Clinical Cell Culture Europe Limited

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Registered No 04661707

## **Directors**

Mr A Cannon  
Mr D L Gooding

## **Secretary**

Mr A Cannon

## **Auditors**

Ernst & Young LLP  
Compass House  
80 Newmarket Road  
Cambridge  
CB5 8DZ

## **Registered office**

13/15 Hills Road  
Cambridge  
CB2 1NL

## Directors' report

The directors present their report and financial statements for the year ended 30 June 2006

### Results and dividends

The loss for the year amounted to £1,882,741 (2005 £1,811,473) The directors do not recommend the payment of any dividends

### Principal activity

The principal activity of the company during the year was that of commercialisation of the company's tissue engineering technologies

### Review of business

The company has been focused on obtaining regulatory approval in key markets and establishing a commercial platform to successfully penetrate these markets The rollout of the company's key product, ReCell<sup>®</sup>, continued with approval received in Israel and South Africa ReCell<sup>®</sup> distributors were also appointed in Russia and Slovakia The company's cultured skin cell products were launched commercially in Europe and the first patients were treated

Turnover increased from £160,122 to £379,263 following the launch of the company's products in new markets The loss for the year of £1,882,741 is broadly in line with the prior period loss of £1,811,473

### Principal risks and uncertainties

The Board is responsible for overseeing the establishment and implementation of an effective risk management system and reviewing and monitoring the company's application of that system The principal risks and uncertainties facing the company are the commercialisation challenges of bringing a new technology to market and the liquidity risk associated with the company's reliance on its parent company for funding

### Future developments

The company continues to focus on achieving sales penetration in key approved markets and will continue to direct resources into the development of new products as appropriate and in line with the company's cash resources

### Research and development

Research is progressing on schedule, and the directors are satisfied with progress All costs relating to research and development are written off to the profit and loss account as they are incurred

### Directors

The directors who served the company during the year were as follows

Mr T Jordansen	(resigned 26 May 2006)
Mr D L Gooding	
Mr D Imperiali	(resigned 10 April 2006)
Mr A Cannon	(appointed 17 May 2006)
Mr R Atwill	(appointed 17 May 2006, resigned 28 March 2007)

The directors of the company have no interests in Clinical Cell Culture Europe Limited

All of the directors who served in the year are also directors of Clinical Cell Culture Limited, and their interests are disclosed in that company's financial statements

## Directors' report

### Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

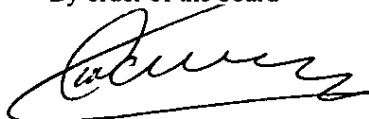
### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Mr A Cannon  
Secretary

19 NOVEMBER 2007

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

### **to the members of Clinical Cell Culture Europe Limited**

We have audited the company's financial statements for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

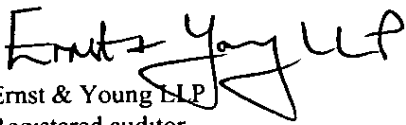
## **Independent auditors' report**

**to the members of Clinical Cell Culture Europe Limited**

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

  
Ernst & Young LLP  
Registered auditor  
Cambridge

19 November 2007

## Profit and loss account

for the year ended 30 June 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	2	379,263	160,122
Cost of sales		(615,683)	(220,327)
<b>Gross loss</b>		(236,420)	(60,205)
Administrative expenses		(1,646,321)	(1,752,993)
Other operating income		—	1,725
<b>Loss on ordinary activities before taxation</b>	3	(1,882,741)	(1,811,473)
Tax on loss on ordinary activities	5	—	—
<b>Loss for the financial year transferred from reserves</b>		<u>(1,882,741)</u>	<u>(1,811,473)</u>

There are no recognised gains or losses other than the loss for the year of £1,882,741 (2005 £1,811,473)



# **Balance sheet** at 30 June 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	6	142,728	180,371
<b>Current assets</b>			
Stocks	7	191,368	42,183
Debtors	8	404,018	366,710
Cash at bank and in hand		192,516	33,731
		787,902	442,624
<b>Creditors</b> amounts falling due within one year	9	692,158	404,939
<b>Net current assets</b>		95,744	37,685
<b>Total assets less current liabilities</b>		238,472	218,056
<b>Creditors</b> amounts falling due after more than one year	10	4,554,389	2,651,232
<b>Net liabilities</b>		(4,315,917)	(2,433,176)
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account	12	(4,315,918)	(2,433,177)
<b>Shareholders' deficit</b>		(4,315,917)	(2,433,176)



Mr A Cannon  
Director

19 NOVEMBER 2007

## Notes to the financial statements

at 30 June 2006

### 1. Accounting policies

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention, and in accordance with applicable UK accounting standards

At 30 June 2006 the company's liabilities exceeded its assets by £4,315,917 (2005 £2,433,176) The company has received confirmation from Clinical Cell Culture Limited, the ultimate parent company, that support will be provided to the company so that it is able to meet its obligations as and when they fall due for a period of not less than one year from the date of approval of these accounts Accordingly the accounts have been prepared on a going concern basis

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes consolidated financial statements

#### **Related parties transactions**

The company is a wholly owned subsidiary of Clinical Cell Culture Limited, a Holding Company registered and quoted on the Australian Stock Exchange Accordingly, the company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" from disclosing transactions with members or investees of the Clinical Cell Culture group

#### **Fixed assets**

All fixed assets are initially recorded at cost

#### **Depreciation**

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Leasehold improvements	-	20% per annum, straight line
Fixtures & fittings	-	40% per annum, straight line
Computer equipment	-	20% - 40% per annum, straight line
Computer software	-	40% per annum, straight line

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances in the period indicate the carrying value may not be recoverable

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

Research and development expenditure is charged to the profit and loss account as incurred

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value Cost includes all costs incurred in bringing each product to its present location and condition, as follows

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow-moving or defective items where appropriate

## Notes to the financial statements

at 30 June 2006

### 1. Accounting policies (continued)

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate 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 differences are taken to the profit and loss account

#### **Leased assets**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

#### **Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included as either accruals or prepayments in the balance sheet

### 2. Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes

An analysis of turnover by geographical market is given below

	2006 £	2005 £
United Kingdom	10,139	10,016
Mainland Europe	357,227	150,106
Africa	11,897	–
	<u>379,263</u>	<u>160,122</u>

## Notes to the financial statements

at 30 June 2006

### 3. Loss on ordinary activities before taxation

This is stated after charging/(crediting)

	2006 £	2005 £
Auditors' remuneration - audit services	28,312	9,000
Depreciation of owned fixed assets	58,643	33,885
Operating lease rentals - land and buildings	105,441	105,441
Net (profit) / loss on foreign currency translation	(2,425)	19,157
Research and development costs	177,813	182,342

### 4. Staff costs

	2006 £	2005 £
Wages and salaries	625,537	470,447
Social security costs	52,291	35,952
Other pension costs	50,871	30,627
	728,699	537,026

The average monthly number of employees during the year was made up as follows

	2006 No	2005 No
Administration and finance	3	2
Sales	3	3
Research and development	2	2
Regulatory	3	2
	11	9

### Directors' emoluments

The emoluments of the directors are borne by the ultimate parent company, Clinical Cell Culture Limited, and no recharge is made to the company

All of the directors who served in the year are also directors of Clinical Cell Culture Limited, and their emoluments are disclosed in that company's financial statements

## Notes to the financial statements

at 30 June 2006

### 5. Taxation on loss on ordinary activities

(a) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

The differences are reconciled below

	2006 £	2005 £
Loss on ordinary activities before tax	(1,882,741)	(1,811,473)
Loss on ordinary activities multiplied by standard rate of corporation tax	(564,822)	(543,442)
Disallowed expenses and non-taxable income	5,705	3,380
Capital allowances in excess of depreciation	143	(13,401)
Enhanced research and development expense deduction	(35,466)	(28,197)
Losses surrendered for research and development tax credit	106,397	84,591
Unrelieved tax losses carried forward	488,043	497,069
Total current tax	—	—

(b) Deferred tax

The deferred taxation asset not recognised in the financial statements is as follows

	2006 £	2005 £
Tax losses	1,173,859	685,815
Depreciation in excess/(deficit) of capital allowances	(4,966)	(16,039)
	1,168,893	669,776

### 6. Tangible fixed assets

	Leasehold improvements £	Computer software £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 July 2005	156,918	9,379	28,536	23,047	217,880
Additions	7,778	10,143	6,708	3,635	28,264
Disposals	—	(6,446)	—	(1,104)	(7,550)
At 30 June 2006	164,696	13,076	35,244	25,578	238,594
Depreciation					
At 1 July 2005	23,727	1,637	1,730	10,415	37,509
Provided during the year	35,172	4,547	12,980	5,944	58,643
Eliminated on disposals	—	—	—	(286)	(286)
At 30 June 2006	58,899	6,184	14,710	16,073	95,866
Net book value					
At 30 June 2006	105,797	6,892	20,534	9,505	142,728
At 1 July 2005	133,191	7,742	26,806	12,632	180,371

# Notes to the financial statements

at 30 June 2006

## 7. Stocks

	2006 £	2005 £
Raw materials	45,248	10,561
Finished goods	146,120	31,622
	<u>191,368</u>	<u>42,183</u>

## 8. Debtors

	2006 £	2005 £
Trade debtors	11,508	159,841
Amounts owed by group undertakings	207,002	73,729
Other debtors	23,754	33,050
Prepayments and accrued income	106,180	32,940
VAT and other tax refunds due	55,574	67,150
	<u>404,018</u>	<u>366,710</u>

## 9. Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	472,667	197,327
Other taxation and social security	17,861	10,509
Other creditors	44,930	42,219
Accruals and deferred income	156,700	154,884
	<u>692,158</u>	<u>404,939</u>

## 10. Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	<u>4,554,389</u>	<u>2,651,232</u>

## 11. Share capital

	2006 £	Authorised 2005 £
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

	No	2006 £	No	2005 £
Ordinary shares of £1 each	1	<u>1</u>	1	<u>1</u>

# Notes to the financial statements

at 30 June 2006

## 12. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	<i>£</i>	<i>account</i>	<i>holders' funds</i>
		<i>£</i>	<i>£</i>
At 1 July 2004	1	(621,704)	(621,703)
Loss for the year	—	(1,811,473)	(1,811,473)
At 30 June 2005	1	(2,433,177)	(2,433,176)
Loss for the year	—	(1,882,741)	(1,882,741)
At 30 June 2006	1	(4,315,918)	(4,315,917)

## 13 Pensions

The company participates in a group personal pension scheme which is defined contribution in nature. The pension charge for the year was £50,871 (2005 £30,627). At the year end there were no outstanding contributions (2005 £nil).

## 14. Operating lease commitments

At the end of the period the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i>	
	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Operating leases which expire		
In two to five years	105,411	105,441

## 15. Ultimate parent company and controlling party

The immediate and ultimate parent company and controlling party is Clinical Cell Culture Limited, which is registered and quoted on the Australian Stock Exchange. Copies of group financial statements are available from its registered office Level 9 The Quadrant, 1 William Street, Perth, WA6001, Australia.