cordlife

one chance, one choice.

Annual Report 2010

The cordlife ABILITY

DEFINING THE CORD BLOOD BANKING INDUSTRY

ABN 48 108 051 529

Contents

CORPORATE PROFILE

Established since 2001, Cordlife is a pioneer and innovation leader in cord blood banking, providing a full suite of cord blood and tissue banking services, including the collection, processing and cryopreservation storage of cord blood stem cells and tissue.

The Group has its global headquarters in Singapore and marketing presence across eight countries within the Asia Pacific region. In less than a decade, it has become the region's largest network of private cord blood banks, operating highly advanced stem cell processing and storage facilities in Singapore, Hong Kong, India, Indonesia and the Philippines as well as strategic investments in China and Australia.

Cordlife is listed on the Australian Securities Exchange (ASX-CBB) and in 2009, it was named among Asia's top 50 fastest growing publicly listed companies by Biospectrum Asia Pacific.

In every market that it enters, Cordlife's technology and services define the cord blood banking industry and its potential to bring hope and save lives.

OUR VISION

To be the leading cord blood bank families trust.

OUR MISSION

Cordlife is committed to offering the highest possibility of successful adult stem cell therapy to give hope and save lives.


cordlife

PROFITABILITY

2010 FINANCIAL HIGHLIGHTS

Earnings before interest, taxes, depreciation and amortisation

A$3,441,000

Cash Reserves

A$7,842,000

Total Revenue

A$25,499,000

Net Profit attributable to members

A$2,362,000

Net Assets

A$59,007,000

CEO & CHAIRMAN REVIEW

"….maintaining our dominant position in established markets like Singapore and Hong Kong, while aggressively expanding our overall share in high growth developing markets like Indonesia, India and the Philippines."

Dear Shareholders,

MR KAM YUEN
Chairman

MR STEVEN FANG
Chief Executive Officer

Financial year 2010 continued to be a difficult and challenging year given the economic climate. Cordlife stayed focused with a clear strategy of maintaining our dominant position in established markets like Singapore and Hong Kong, while aggressively expanding our overall share in high growth developing markets like Indonesia, India and the Philippines. Revenue from our core cord blood banking services grew by 7 percent year on year to $24,628,000. This growth rate was tempered by the appreciation of our reporting currency in Australian dollar against our functional currencies from each of our operating subsidiaries, especially for Singapore and Hong Kong. Year on year revenue after foreign currency adjustment is an increase of 29 percent.

The demand for private cord blood banking services remained strong across all markets with the group achieving year on year growth of 28 percent in new clients signed up.

Most significant were the growth rates in India at 350 percent and the Philippines at 238 percent. These encouraging growth rates came about as a direct result of our efforts in market development and rapid market coverage.

CEO & CHAIRMAN REVIEW

Cordlife's operating results showed a considerable growth in real number of clients, but the financial results were tempered by the discontinuation of selected one off up side and the negative impact of foreign currency exchanges between its functional currencies and reporting currency.

Overall, the review of operations indicates that Cordlife has continued to perform well in its established and more mature markets such as Singapore and Hong Kong. In Singapore, Cordlife continued to take market share incrementally with its activities, while in Hong Kong the company continued to hold its position. In the developing market of Indonesia, Cordlife is still the only licensed operator for private cord blood banking services and achieved strong double digit year on year growth. Cordlife Indonesia is a realistic financial contributor to the group in the short to midterm. New markets such as India and the Philippines grew significantly given their low bases. However, it is the opinion of the management team that they will make good pipeline contributions in the mid to longterm.

Looking forward to the new financial year, Cordlife will be focusing on a five-step approach to maintain market

CEO & CHAIRMAN REVIEW

Cordlife will continue to build on its key differentiating value of Quality while exploring opportunities for new services to leverage its extensive distribution capability across its markets.

dominance and growth. The five-step approach can be broadly described as:

(i) Building on our quality commitment

(ii) Operating efficiencies & talent retention

(iii) Increasing the use of cord blood stem cells

(iv) Brand equity management

(v) Sustainability & partnerships

Cordlife will continue to build on our key differentiating value of Quality while exploring opportunities for new services to leverage our extensive distribution capability across our markets. Today, a full team of internationally trained Quality professionals is actively supporting and consistently enforcing our Quality philosophy across all Cordlife facilities. This approach not only allows Cordlife to deliver on the promise of a quality product at the point of use, but also to significantly hedge operating risks.

In terms of operating efficiencies, Cordlife's management undertakes regular reviews and measurement through a Balanced Scorecard approach. Talent retention is another important business indicator to ensure that organisational learnings are kept within the company and is achieved through its Cordlife Academy initiative.

In the new financial year, Cordlife will be investing to support the use of cord blood stem cells not only in the current list of approved conditions, but also in the

Another strategic market initiative undertaken this financial year was the investment to set up a facility in the Philippines, a rapidly emerging market.

treatment of a variety of new conditions such as cerebral palsy (brain damage that occurs every one in 500 births due to oxygen starvation during the birthing process) and type 1 diabetes (childhood diabetes). Such efforts are necessary for building continued consumer demand and relevance for our services as well as crucial in differentiating Cordlife from the competition.

Building Cordlife's brand equity is another important corporate activity. We have chosen to invest in and build our corporate brand around Quality, Credibility, Capability and Sustainability. These are core managerial philosophies and beliefs that have helped Cordlife achieve the success we have today. They remain important and relevant across the markets that Cordlife operates.

In terms of building a sustainable strategic position for Cordlife, the company has successfully undertaken a number of corporate actions to own more of its existing businesses through the buy-back of its non controlling interest partners in markets such as Hong Kong and Indonesia. Such ownerships bring about greater control and direct investments in these fast growing markets, allowing the group to reap the benefits of such activities. Another strategic market initiative undertaken this financial year was the investment to set up a facility in the Philippines, a rapidly emerging market. The indicators thus far suggest a market that is in its infancy for cord blood banking with good prospects for both client enrollment and revenue growth. Additionally, Cordlife gained access to China, a previously locked market, through our strategic investment of US$10 million for a 10 percent stake in China Stem Cell (South) Company Ltd. This company holds an exclusive license to market private cord blood banking services to more than 1 million births annually in the prosperous Guangdong province.

The Board of Cordlife is confident that under the leadership of its CEO, Mr. Steven Fang and his management team, Cordlife will continue to grow its business during these challenging economic times. We wish to thank and recognise the dedication of each employee of Cordlife.

SUSTAINABILITY

Compared to the rest of the world, many countries in Asia still record high birth rates. The addressable market size in these countries is estimated at approximately half a million babies a year. All these markets have a rapidly emerging middle class that can afford the best healthcare options for their children.

In recent years, there has been growing awareness of the potential of stem cells for saving lives as well as phenomenal advances in stem cell applications. Today, stem cells have been proven to treat over 80 diseases including certain cancers and blood disorders such as leukaemia and lymphoma.

Stem cell research is also showing promise in helping the body repair itself, an area known as regenerative therapy, and cellular therapy. Worldwide, there are ongoing clinical trials involving the use of stem cells to treat juvenile diabetes, cerebral palsy, brain injury, stroke, heart disease, liver disease, cartilage regeneration, eye disorders, spinal cord injuries, auto-immune disorders and others. Some of the most encouraging results indicate that stem cell treatments are safe and capable of repairing damage caused by stroke and heart disease.

Storing cord blood is quick, painless and risk-free for both the mother and the child, and the collected stem cells are readily available when needed. These advantages have made cord blood the preferred source of stem cells around the world today.

Research has shown that as many as one in 200 people may need to undergo stem cell transplantation in their lifetime[1]. Stem cells may also be used to treat family members since the chance of locating a cord blood match within the family is 60% higher than a bone marrow match[2]. Because of the many advantages and the growing list of diseases that can be treated with stem cells, more medical professionals and parents now consider cord blood banking an essential part of healthcare, not just a medical option.

Established in Asia Pacific, Cordlife is in a unique position for exponential growth. The region accounts for more than a third of the world's urban population, whose aging numbers and rising incomes will push up the demand for premium healthcare, from stem cell treatments to cord blood banking.

Compared to the rest of the world, many countries in Asia still record high birth rates. The addressable market size in these countries is estimated at approximately half a million babies a year. All these markets have a rapidly emerging middle class that can afford the best healthcare options for their children.

Storing cord blood is quick, painless and risk-free for both the mother and the child, and the collected stem cells are readily available when needed.

Presently, over 30,000 families have banked their baby's cord blood with Cordlife. This penetration rate is low even by conservative estimates and Cordlife is poised for record growth.

Beyond cord blood banking, Cordlife is exploring partnerships with research institutions to commercialise the latest innovations in cord blood research and cellular therapy as an extension of its operations.

Most recently, Cordlife has begun offering an exclusive umbilical cord banking technology pioneered and patented by a Singapore-based research and development company. This enables parents to store two more types of stem cells; epithelial and mesenchymal stem cells from their baby's umbilical cord. Early research indicates that these cells may be useful in treatments for stroke or the replacement of cornea membrane.

Applications of new technologies as such will serve to strengthen the relevance of Cordlife's services in a competitive market.

1. *Nietfeld et al, Biol Blood Marrow Transplant. 2008;14:316-32*
2. *Beatty et al., Hum Immunol. 2000;61:834-840*

CAP**ABILITY**

Cordlife's facilities in Singapore and Hong Kong are the first two in the Group to use Sepax™, the only FDA-approved fully automated cord blood processing technology in the world, and the best in the market.

A strong presence in Asia Pacific and gaining a first mover advantage continue to be the Group's strategy for growth.

The Cordlife Group operates five full service cord blood banks in Asia Pacific with an impressive storage capacity of over 300,000 units of cord blood, as well as strategic investments in China and Australia.

A strong presence in Asia Pacific and gaining a first mover advantage continue to be the group's strategy for growth. In the Philippines, the Group's newest facility is the first and only stem cell banking facility in the country.

Cordlife's facilities in Singapore and Hong Kong are the first two in the Group to use Sepax™, the only FDA-approved fully automated cord blood processing technology in the world, and the best in the market.

Cordlife Hong Kong has also recently expanded and is now the city's largest and most advanced stem cell facility. The facility, at Hong Kong Science Park, has a capacity for 50,000 cord blood units.

Having achieved market leadership in Singapore, Hong Kong and Indonesia, Cordlife is also making significant inroads into the world's two most populous countries, China and India.

In India, where cord blood banks are proliferating, Cordlife is the first foreign international stem cell institution in the country and, we are officially licensed to collect cord blood units across the whole of India. The Kolkata-based facility currently boasts the largest capacity within the Group and the country, with storage for 150,000 cord blood units. Cordlife India is the first cord blood bank in the country to offer a 'Quality Guarantee' – a warranty to ensure the quality of the cord blood stored, as well as a unique medical concierge service that will provide logistical support and full transport for the client and his family should a transplant become necessary.

As demand develops, Cordlife will continue to concentrate its best resources and optimum capacity in the region to provide families here with access to affordable and high standard cord blood banking services.

Alongside offering the best technology and maintaining the highest quality standards, Cordlife has established the Cordlife Academy to develop in-house capabilities and managerial competencies in a highly specialised healthcare field. Through a regular series of workshops conducted by experienced cord blood experts, our people will receive training to become subject matter experts with up to date information on cord blood stem cell developments, medical ethics and global benchmarks. Through the Cordlife Academy, our people will be empowered with the knowledge and skills to support potential clients through highly personal decisions on cord blood banking and future cellular therapies.

BOARD OF DIRECTORS

Cordlife is led by an experienced and qualified Board. All our members bring diversity in expertise and perspective to the leadership of a highly regulated and complex global business.

MR KAM YUEN
Chairman, Non-executive

MR STEVEN FANG
Executive

MR JEREMY YEE
Executive

MR MARK RYAN
Non-executive

MR SAMUEL KONG
Non-executive

MR VOIRON CHOR
Non-executive

CORPORATE INFORMATION

COMPANY SECRETARY
Lord Commercial Lawyers
Level 5, 190 Queen Street
Melbourne, Victoria 3000
Australia
Tel: +61 (0) 3 9600 0162

REGISTERED OFFICE
Level 5, 190 Queen Street
Melbourne, Victoria 3000
Australia
Tel: +61 (0) 3 9600 0162

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

BANKERS
Commonwealth Bank of Australia

AUDITORS
ERNST & YOUNG LLP
Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia
Tel: +61 (8) 9429 2222

MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER
Mr Steven Fang

CHIEF FINANCIAL OFFICER
Mr Jeremy Yee

GROUP GENERAL MANAGER
Ms Susan Kheng

CORPORATE DEVELOPMENT DIRECTOR
Mr Simon Lee

CORPORATE DEVELOPMENT DIRECTOR
Mr Jonathan Liau

TECHNICAL DIRECTOR
Dr Andrew Wu

GENERAL MANAGER, SINGAPORE
Ms Gwendolene Yeo

GENERAL MANAGER, HONG KONG & MACAU
Ms Emily Cheung

GENERAL MANAGER, INDONESIA
Ms Janny Halim

GENERAL MANAGER, INDIA
Mr Simon Hoo

GENERAL MANAGER, PHILIPPINES
Ms Suzanne Salindong

MANAGING DIRECTOR, INDIA
Mr Meghnath Roy Chowdhury

MANAGING DIRECTOR, INDONESIA
Mr Sher Min Gaspar

SENIOR FINANCE MANAGER
Ms Thet Hnin Yi

SENIOR FINANCE MANAGER
Ms Jessie Poon

SENIOR BUSINESS DEVELOPMENT MANAGER
Ms Tan Huiying

HEAD, GROUP MARKETING & CORPORATE COMMUNICATIONS
Ms Jamie Woon

HEAD, GROUP QUALITY MANAGEMENT
Ms Candy Liow

HEAD, ORGANISATIONAL DEVELOPMENT
Ms Stella Lee


Steven Fong
CyGenics Ltd.
Accreditation
SGS

RELIABILITY

Cordlife is the first and only private cord blood bank accredited by the internationally respected American Association of Blood Banks–the industry gold standard.

Since 2000, Cordlife and its associates have maintained an excellent transplant track record, hitting a high of 34 units released in 2008. So far, more than 100 families have benefited from using their stored cord blood units to treat over 18 indications at over 28 institutions globally. The applications for cord blood have grown rapidly in less than a decade and the steady increase in the number of units we have released is testament to the high quality cord blood processing and storage systems we use.

In 2007, Cordlife was one of only 47 companies worldwide to be given the Technology Pioneer award presented by the World Economic Forum.

Cordlife is the first and only private cord blood bank accredited by the internationally respected American Association of Blood Banks–the industry gold standard. Over the years, the Group's facilities have consistently maintained the certifications from various top quality standards such as the International Organization for Standardization (ISO), the Therapeutic Goods Administration (TGA) as well as relevant country regulators. In 2007, Cordlife was one of only 47 companies worldwide to be given the Technology Pioneer award presented by the World Economic Forum.

Cordlife continues to invest in the best technology available to collect, process and cryopreserve cord blood because what we do is critical for the outcome of transplant and cellular therapies in the future. By collecting as much stem cells as possible, facilitating optimal stem cell recovery and ensuring the entrusted cord blood unit is kept at the most optimum level at all times, we are safeguarding the health of not just the child but also that of his family members, and fulfilling our mission of offering the highest possibility of successful adult stem cell therapy to give hope and save lives.

AWARDS & ACCREDITATIONS





FINANCIAL STATEMENTS

CORPORATE GOVERNANCE

The directors of Cordlife Ltd ("Cordlife" or the "Company") are responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council (CGC) published guidelines and its Corporate Governance Principles and Recommendations. The directors guide and monitor the business and affairs of Cordlife on behalf of the shareholders by whom they are elected and to whom they are accountable.

Cordlife complies with the CGC's Principles as follows.

Principle 1 - Lay solid foundations for management and oversight

	Recommendation	Comply Yes / No	Reference / explanation
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 19
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 21
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	

Principle 2 - Structure the Board to add value

	Recommendation	Comply Yes / No	Reference / explanation
2.1	A majority of the Board should be independent directors.	Yes	Page 20
2.2	The chair should be an independent director.	Yes	Page 20 & 21
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Page 21
2.4	The Board should establish a nomination committee.	Yes	Page 22
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Remuneration Report
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	

Principle 3 - Promote ethical and responsible decision-making

	Recommendation	Comply Yes / No	Reference / explanation
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity. • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 21 & Website
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	

CORPORATE GOVERNANCE

Principle 4 - Safeguard integrity in financial reporting

	Recommendation	Comply Yes / No	Reference / explanation
4.1	The Board should establish an audit committee.	Yes	Page 22
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the Board • has at least three members	Yes	Page 22
4.3	The audit committee should have a formal charter.	Yes	Page 22
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	

Principle 5 - Make timely and balanced disclosure

	Recommendation	Comply Yes / No	Reference / explanation
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	

Principle 6 - Respect the rights of shareholders

	Recommendation	Comply Yes / No	Reference / explanation
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 24
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	

Principle 7 - Recognise and manage risk

	Recommendation	Comply Yes / No	Reference / explanation
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 22
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 22

	Recommendation	Comply Yes / No	Reference / explanation
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 23
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	

Principle 8 – Remunerate fairly and responsibly

	Recommendation	Comply Yes / No	Reference / explanation
8.1	The Board should establish a remuneration committee.	Yes	Page 23
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Remuneration report
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	

Cordlife's corporate governance practices were in place throughout the year ended 30 June 2010.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Cordlife, refer to our website: www.cordlife.com

Board Functions

The Board is responsible to shareholders for the performance and overall corporate governance of Cordlife.

This role includes 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 Cordlife'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.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, it makes use of sub-committees to discharge its responsibilities. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

> Audit;

> Nomination; and

> Remuneration.

CORPORATE GOVERNANCE

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

> Board approval of a strategic plan designed to manage the business.

> Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of Cordlife.

> Implementation of budgets by management and monitoring progress against budget through the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the Board include:

> Approval of the annual and half-year financial reports.

> Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.

> Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored.

Structure of the Board

Cordlife's policy governing Board composition requires the Chair to be an independent non-executive director and requires the Board to strive for 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 and Mr Jeremy Yee. The Board strives to ensure its composition includes an appropriate mix of expertise and experience relevant to Cordlife's business activities conducive to making timely and informed decisions in the best interests of Cordlife. The relevant skills, experience and expertise of each Board member is set out in the Directors' Report on page 25. The Board recognises the importance of each director bringing independent judgment to bear in the decision making process. Accordingly, all directors have access to independent professional advice at Cordlife's expense with the approval of the Chair.

The Board is currently composed of two executive and four non-executive directors. Cordlife's Constitution specifies the number of directors shall not be less than three. During the year, the Board comprised:

Name	Position
Kam Yuen	Chairman (Non-executive)
Steven Fang	Executive Director (Chief Executive Officer)
Jeremy Yee	Executive Director (Chief Financial Officer)
Seow Bao Shuen	Non-executive Director (resigned on 22 September 2009)
Samuel Kong	Non-executive Director
Mark Ryan	Non-executive Director
Voiron Chor	Non-executive Director

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Kam Yuen	1 year 11 months
Steven Fang	6 years 7 months
Jeremy Yee	2 years 11 months
Samuel Kong	3 years 1 month
Mark Ryan	1 year 7 months
Voiron Chor	1 year 7 months

Performance

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

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

During the reporting period, the Nomination Committee conducted performance evaluations that involved an assessment of each key executive's performance against specific and measurable qualitative and quantitative performance criterias.

Directors whose performance is consistently unsatisfactory may be asked to resign.

Trading policy

Under Cordlife's Securities Trading Policy, an executive or director must not trade in any securities of Cordlife at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Directors, the CEO, consultants, members of senior management and other employees must first obtain consent before commencing to trade from:

- the Chair in the case of directors and the CEO;
- the Audit Committee and Company Secretary in the case of the Chair; and
- the CEO in the case of officers, consultants, members of senior management and other employees.

In addition the following blackout periods are imposed prior to and post publication of quarterly, half year and annual reporting:

- 2 weeks before and one day after Cordlife is required to release quarterly cash flow announcements. Quarterly cash flow announcements are released on the last business day of January, April, July and October.
- 4 weeks before and one day following the announcement of the half year and full year results as the case may be.
- 1 day following the release of price sensitive information.

CORPORATE GOVERNANCE

As required by the ASX Listing Rules, Cordlife notifies the ASX of any transaction conducted by directors in the securities of Cordlife.

The Company does not have a policy preventing executives and directors from managing their risk exposure from ownership of employee share options.

Nomination Committee

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

The members of the Nomination Committee during the year ended 30 June 2010 were Mr Kam Yuen, Mr Samuel Kong and Mr Steven Fang.

For additional details regarding the Nomination Committee including its charter please refer to our website.

Audit committee

The Audit Committee operates under a charter approved by the Board. The main objective of the Audit Committee is to assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to:

- reporting of financial information;
- 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.

The members of the Audit Committee during the year ended 30 June 2010 were Mr Mark Ryan (Chair), Mr Voiron Chor and Mr Samuel Kong.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report on page 29.

For additional details regarding the Audit Committee, including a copy of its charter, please refer to our website.

Risk

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of Cordlife's approach to creating long-term shareholder value.

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 Cordlife'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 financial performance and business development activities.

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.

CEO and CFO certification

In accordance with section 295A of the *Corporations Act 2001* , the Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- Their views provided on Cordlife's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- Cordlife's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgment, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not, and cannot be, designed to detect all weaknesses in control procedures.

Remuneration

It is Cordlife's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective Cordlife has implemented an incentive scheme which is available to employees of Cordlife. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives.
- Attraction of high quality management to Cordlife.
- Performance incentives that allow executives to share in Cordlife's success.

For details of the remuneration received by directors and senior executives in the current period please refer to the remuneration report, which is contained within the Directors' Report on page 30.

There is no scheme to provide retirement benefits to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Chief Executive Officer and executive team. The Board has established a Remuneration Committee.

The members of the Remuneration Committee comprise all members of the Board and all effective remuneration decisions are made by the Board through Board meetings.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report on page 29.

For additional details regarding the Remuneration Committee, including a copy of its charter, please refer to our website.

CORPORATE GOVERNANCE

Shareholder communication policy

Pursuant to Principle 6, Cordlife's objective is to promote effective communication with its shareholders at all times.

Cordlife is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about Cordlife's activities in a balanced and understandable way.
- complying with continuous disclosure obligations contained in the ASX Listing Rules and the *Corporations Act 2001* in Australia.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- through the release of information to the market via the ASX;
- through the distribution of the Annual Report; and
- by posting relevant information on Cordlife's website.

Cordlife's website www.cordlife.com has a dedicated Investor Relations section and for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

DIRECTORS' REPORT

The directors of Cordlife Ltd submit herewith the annual financial report of the Company for the financial year ended 30 June 2010. 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
Kam Yuen	Chairman (Non-executive). Mr Kam has substantial experience in the healthcare industry and is the founder of Golden Meditech Company Limited, a leading healthcare corporation in China providing integrated healthcare in cordblood banking, medical devices, healthcare services and natural herbal medicines. Mr. Kam graduated from the Beijing Second Foreign Languages Institute, the People's Republic of China in 1985 and has over 20 years of management experience in international business. Mr Kam holds directorship in another listed company, Golden Meditech Company Limited since 2001 till present.
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. 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).
Seow Bao Shuen BA (Econ)	Non-executive Director. Resigned on 22 September 2009. 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. During the past three years, Ms Seow held directorship in the listed company - Enviro-Hub Holdings Ltd. She was appointed on 1 March 2008 and resigned on 31 March 2010.
Voiron Chor	Non-executive Director. Mr Chor is a Vice President of Private Wealth Management for Morgan Stanley Asia Limited. Prior to that he was a Director of Investment Consulting at Credit Suisse. He has over 10 years experience in financial investment and research in capital markets. Mr Chor holds a Masters of Finance from RMIT University Melbourne.

DIRECTORS' REPORT

Name	Particulars
Samuel Kong (Kong Kam Yu) ACA	Non-executive Director. 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.
Jeremy Yee (Yee Pinh) BA (Econ) (Hons), M Com BCom (Prof Acct)	Executive Director and Chief Financial Officer. Mr Yee joined Cordlife in 2002 and has been a key executive in the establishment. Prior to the Group's IPO on the ASX, he was the Group COO. Previously, he worked full time as a consultant with one of the "Big 4" accounting firms where he provided professional advice and consultation to a wide spectrum of businesses including e-commerce, consumer products and services, finance, media and healthcare. In addition, he has provided advice to companies and financial institutions on risk management and worked on IPOs for medium sized companies in Singapore. He graduated with a BA(Econ)(Hons) and later attained a BCom (Prof Acct) and a MCom in Finance, Banking and Management. He is also a member of the Australian Institute of Banking and Finance (AIBF) and the Global Association of Risk Professionals (GARP). At the 2009 Business Leader Awards organised by SPRING Singapore, Jeremy was awarded the Advanced Management Programme (AMP) to pursue his Executive Masters in Business Administration (EMBA) at Nanyang Business School, Nanyang Technology University.
Mark Ryan B Com, ACA	Non-executive Director. Mr Ryan is the Accounting and Finance Director of the Kellogg Joint Venture Gorgon, a multinational consortium engaged to engineer, procure and construct an LNG processing facility in the north-west of Australia. The project has a capital expenditure budget in excess of $25 billion. Mr Ryan's previous corporate experience has included roles as financial controller and company secretary. He was a Supervisor of Taxation at Pricewaterhouse (formerly Coopers & Lybrand) for 6 years.

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 Lord Commercial 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 the provision of cord blood banking services, which involves the processing and storage of stem cells.

Operating and financial review

The Cordlife Ltd Group (the "Group") continued to grow in its core business of cord blood banking in the year ended 30 June 2010. The Group's operations in both Singapore and Hong Kong continued to be profitable for the year.

Revenue from cord blood banking services was $24,628,000 as compared to $22,949,000 for the previous period, an increase of approximately 7%. Prior year's revenue included cord blood banking revenue from Australian Stem Cell Healthcare Pty Ltd

("ASCH"), which was previously our subsidiary. There is no revenue contribution from ASCH in the current year. The increase in revenue was also negatively impacted by the strengthening of the AUD against the various functional currencies of the subsidiaries during the year. The presentation currency of the Group is AUD, as opposed to the functional currencies of the Group's subsidiaries, being SGD, HKD, IDR, INR and Pesos.

Hence, an appreciation of AUD against the aforementioned functional currencies, especially SGD and HKD, has created an opposing effect against the growth of revenue. If the above 2 effects were disregarded, revenue would have increased by approximately 29% for the year ended 30 June 2010, as compared to year ended 30 June 2009. This growth is contributed by increases in client sign-ups across the Group's existing markets.

Other income in prior year consisted of a gain on dilution of our interest in ASCH, a subsidiary of Cordlife Ltd prior to its merger, amounting to $1,416,000.

Distribution and marketing expenses were $5,662,000 as compared to $4,287,000 in FY09. This is mainly due to the increase in advertising and promotional activities carried out in FY10. Television commercials were run in the Hong Kong market for the first time, which contributed to the significant increase in advertising costs. These additional promotional activities had been strategically planned to increase existing market share as well as lay the appropriate marketing infrastructure in the new markets.

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 regionally, which resulted in higher staff costs. There were additional headcounts and increments in salaries resulting from good performance and promotions of employees during the financial year.

The increase is also attributable to higher rental costs in the Indonesia, Hong Kong and Philippines markets where there were relocations to new premises.

Hence, earnings before interest, taxes, depreciation and amortisation ("EBITDA") is approximately $3,441,000 compared to $5,470,000 in FY09.

The Group views the continual investment in its people, financial commitments to building its branding across all regions and an unwavering pursuit of product innovation/ differentiation as key platforms for sustainable growth.

The cord blood banking business continued to grow steadily during the year. The number of client sign-ups during the year increased by over 28% compared to the previous year.

Cord blood banking business – Stabilised markets

Singapore:

The Singapore facility is the first and still the only American Association of Blood Banks (AABB) accredited cord blood bank in South-east Asia. Cordlife's Singapore operations were profitable for the entire financial year predominantly due to an increase in the number of new client sign-ups, delivery and storage of cord blood. Its operations grew by 15% over the previous year in terms of new client sign-ups. The company remains the market leader in Singapore. The additional sign ups were the result of more effective market positioning, local branding as well as product innovation.

Hong Kong:

Cordlife's Hong Kong operations grew by 34% over the previous year in terms of new client sign-ups. There was also a move to new premises, with a new facility during the year. This is in line with the expansion of the Hong Kong operations as well as to meet increased demands by the market. The Company continued to invest in marketing and promotional activities in Hong Kong in an effort to grow its market size. The higher costs incurred also led to more client sign-ups and hence, increased revenue in the financial year.

Cord blood banking business – Developing markets

Indonesia:

Cordlife's Indonesia operations grew by over 24% over the previous year in terms of new client sign-ups. Cordlife's Jakarta facility continues to be the only approved facility by the Indonesian Department of Health ("DEPKES") to offer umbilical cord blood banking services in the country. Hence, it is the only licensed private cord blood bank in Indonesia today. There was also a move

DIRECTORS' REPORT

to new premises during the year due to the significant expansion in operations. The Company expects its Indonesian market to grow further in the financial year 2011, with continual and growing efforts to consolidate the market space in Jakarta. Cordlife continues to offer options to clients in Indonesia to either store locally in Jakarta or in Singapore.

India:

The Group's India operations grew by over 350% over the previous year in terms of new client sign-ups. This significant growth is due to the establishment of footholds in the cities of Delhi and Mumbai. The Company currently has a license to operate a full umbilical cord blood processing and storage facility in Kolkata and throughout India, after attaining relevant regulatory approvals from both the State and Central Health Authorities in FY08.

Philippines:

During the year, the Company commenced operations in the Philippines with the set-up of a local office and facility. Cordlife Philippines is still in its infancy today but promises to be a key market for the Group in the coming years.

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

Renounceable Rights Issue Offer

On 19 July 2010, the Company completed its rights issue offer and raised a total of A$ 6,016,146. Shareholders subscribed for 18,800,458 ordinary shares at 32 cents per share under the offer. The new shares have been allotted and issued on 26 July 2010.

Likely developments and expected results

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.

Environmental regulations

The principal activities of the Company and its controlled entities did not create any significant environmental impact to any material extent.

Earnings per share

Basic and diluted earnings per share was 2.29 and 2.27 cents respectively (2009: 4.57 and 4.50 cents). For details refer to Note 18 to the financial statements.

Dividends

The Company did not pay any dividends during the financial year (2009: nil). 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, or exercised by the directors and executives of the Company or the Group, other than those detailed in the Remuneration Report.

As at the date of this report, there are 503,328 unissued ordinary shares under options. These shares will be issued by Cordlife Ltd upon exercise of the options and 503,328 ordinary shares will be issued. Refer to the Remuneration Report for further details of the options outstanding.

Indemnification of directors and officers

The Company has, during the financial year, paid an insurance premium in respect of an insurance policy to the benefit of the directors and officers of the company and any related bodies corporate as defined in insurance policy. The insurance grants indemnity against liabilities permitted to be indemnified by the Company under the *Corporations Act 2001*. The insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against in the amount of the premium.

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, eleven Board meetings and two Audit Committee meetings were held.

	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee	
Directors	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
Steven Fang	11	11	–	–	–	–	1	1
Seow Bao Shuen	2	2	–	–	–	–	–	–
Samuel Kong	11	11	2	2	–	–	1	1
Jeremy Yee	11	11	–	–	–	–	1	1
Kam Yuen	11	8	–	–	–	–	1	1
Voiron Chor	11	9	2	2	–	–	1	1
Mark Ryan	11	10	2	2	–	–	1	1

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			
Kam Yuen	–	–	–
Steven Fang	6,729,960	–	–
Jeremy Yee	821,033	–	–
Samuel Kong	–	–	–
Mark Ryan	86,980	–	–
Voiron Chor	–	–	–

DIRECTORS' REPORT

Remuneration report (Audited)

This remuneration report for the year ended 30 June 2010 outlines the remuneration arrangements of the Company and the Group in accordance with the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by Section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Company and the Group receiving the highest remuneration.

This remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Board oversight of remuneration
3. Non-executive director remuneration arrangements
4. Executive remuneration arrangements
5. Company performance and the link to remuneration
6. Executive contractual arrangements
7. Equity instruments disclosure

1. Individual key management personnel disclosures

Details of KMP including the top five remunerated executives of the Company and Group are set out below.

Directors:

Kam Yuen	(Chairman, non-executive)
Steven Fang	(Director, executive)
Jeremy Yee	(Director, executive)
Seow Bao Shuen	(Director, non-executive, resigned on 22 September 2009)
Samuel Kong	(Director, non-executive)
Mark Ryan	(Director, non-executive)
Voiron Chor	(Director, non-executive)

Executives:

Susan Kheng	(Group General Manager)
Jonathan Liau	(Head of Business Development)
Simon Lee	(Corporate Development Director)
Gwendolene Yeo	(General Manager - Singapore)
Emily Cheung	(General Manager - Hong Kong)
Andrew Lord	(Company Secretary)

There were no changes of the CEO or key management personnel after reporting date and before the date the financial report was authorised for issue.

2. Board oversight of remuneration

Remuneration committee

The remuneration committee is responsible for making recommendations to the Board on the remuneration arrangements for non-executive directors (NEDs) and executive directors.

Remuneration report (Audited) (cont'd)

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executive directors on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In determining the level and composition of remuneration, the remuneration committee also engages external consultants to provide independent advice.

The remuneration committee comprises all members of the Board. Further information on the committee's role, responsibilities and membership can be seen at www.cordllife.com.

Remuneration approval process

The Board approves the remuneration arrangements of the CEO and CFO and all awards made under the long-term incentive (LTI) plan, following recommendations from the remuneration committee. The Board also sets the aggregate remuneration of NEDs which is then subject to shareholder approval.

The remuneration committee approves, having regard to the recommendations made by the CEO, the level of the Group's short-term incentive (STI) pool.

Remuneration strategy

Cordlife Ltd's remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To that end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- Are aligned to the Group's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and Group performance and rewards; and
- Align the interests of executives with shareholders.

Remuneration structure

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

3. Non-executive director remuneration arrangements

Remuneration policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board considers advice from external consultants when undertaking the annual review process.

The Company's Constitution and the ASX listing rules specify that the NED pool shall be determined from time to time by a general meeting. The latest determination was at the 2009 annual general meeting (AGM) held on 30 November 2009 when shareholders approved an aggregate fee pool of $250,000 per year.

Structure

The remuneration of NEDs consists of directors' fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

Mr Mark Ryan received share options directly and via a related party prior to his appointment as non-executive director.

The remuneration of NEDs for the year ended 30 June 2010 and 30 June 2009 are detailed in Table 1 and Table 2 on pages 36 and 37.

Remuneration report (Audited) (cont'd)

4. Executive remuneration arrangements

Remuneration levels and mix

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned market practice.

Structure

In the 2010 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable STI and LTI remuneration

The table below illustrates the structure of Cordlife Ltd's executive remuneration arrangements:

Remuneration component	Payment method	Purpose	Link to performance
Fixed remuneration	Comprises base salary, superannuation and non-monetary benefits	• Set with reference to role, market and experience • Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.	No link to Company performance
STI component	Paid in cash	• Rewards executives for their contribution to achievement of Group targets, as well as individual key result areas (KRAs).	• Linked to financial and non-financial corporate and individual measures of performance • Include contribution to revenue based on client sign-ups, customer services, risk management, product management and leadership contributions
LTI component	Awards are made in the form of share options	• Rewards executives for their contribution to the creation of shareholder value over the longer term.	• Granting of awards is dependent on financial and non-financial corporate and individual measures of performance

Remuneration report (Audited) (cont'd)

Fixed remuneration

Executive contracts of employment do not include any guaranteed base pay increases. These are reviewed annually by the Board and management. The process consists of a review of the Company and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

The fixed component of executives' remuneration is detailed in Table 1 to Table 4.

Variable remuneration – short-term incentive (STI)

The Group operates an annual STI program that is available to executives and awards a cash bonus subject to the attainment of clearly defined Group and individual measures.

The total potential STI available is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual STI payments awarded to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key result areas (KRAs) covering both financial and non-financial, corporate and individual measures of performance.

Performance measures
Financial measure:
- Revenue

Non-financial measures:
- Client sign-ups
- Customer services
- Risk management
- Product management
- Leadership/ team contribution

The achievement of these is measured through the line managers' review during each appraisal cycle, unaudited financial information as well as internal reporting statistics.

These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.

On an annual basis, after consideration of performance against KRAs, the Board and management will determine the amount, if any, of the short-term incentive to be paid to each executive. This process usually happens two months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period.

STI awards for 2009 and 2010 financial years

For the 2009 financial year, 100% of the STI cash bonus of $233,000 as previously accrued in that period vested to employees and was paid in the 2010 financial year. There were no forfeitures. There was no alteration to the STI bonus plan for the year. The maximum STI cash bonus achievable was $233,000 and the minimum was zero.

For the 2010 financial year, STI cash bonus amounting to $290,000 has been accrued in the financial statements. This bonus was paid out in July 2010. There were no forfeitures. There was no alteration to the 2010 STI bonus plan. The maximum STI cash bonus achievable in 2010 was $290,000 and the minimum was zero.

DIRECTORS' REPORT

Remuneration report (Audited) (cont'd)

Variable remuneration – long-term incentives (LTI)

LTI awards are made annually to executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to executives and other key talent who have an impact on the Group's performance against the relevant long-term performance measure.

LTI grants to key management personnel are delivered in the form of share options under the Options and Performance Rights Plan. The details of the plan are stated 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 executive directors to achieve performance targets of their respective business units. The Plan was administered by the Remuneration Committee up until 30 January 2009 and subsequent to this date it is now administered by the Board. The executive 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 executive 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.

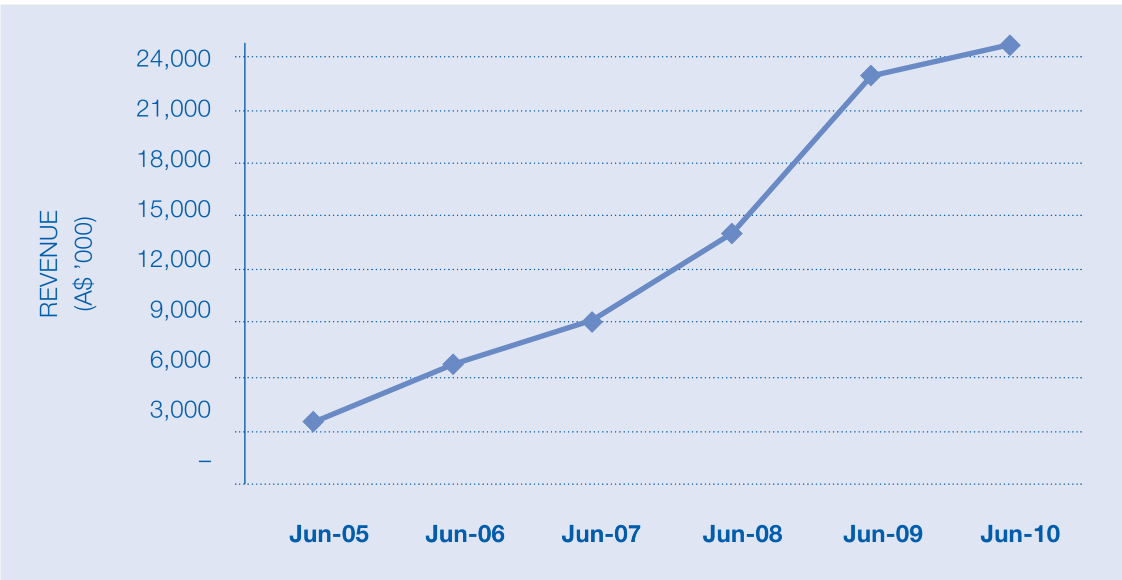
The granting of options is dependent on the meeting of Key Result Areas (KRAs) and a service period of each individual. The KRAs relate to financial and non-financial corporate and individual measures of performance. Typically included are measures such as contribution to revenue based on client sign-ups, 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, the Board, in line with their responsibilities, determine for each key management personnel whether they have met their performance vesting conditions. This process usually occurs within 3 months after the reporting date.

No share options were issued to KMPs during the year ended 30 June 2010 and no options vested during the year in relation to KMPs.

5. Company performance and its link to remuneration

Group performance is reflected in the movement of the Group's revenue over time. Revenue reflects the growth and performance of the Group and revenue is largely based on the number of client sign-ups. The graph below shows the Group's revenue history over the past five years (including the current period).



Remuneration report (Audited) (cont'd)

6. Executive contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below:

Chief Executive Officer

The Chief Executive Officer, Mr Steven Fang, is employed under contract. The key features of the contract may be summarised as follows:

- Mr Steven Fang receives fixed base salary of $303,753 and a fixed transport allowance of $15,725 per annum.
- The Company may terminate Mr Fang's employment by giving 3 months' written notice to Mr Fang or 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 Mr Fang's appointment immediately without notice (or payment in lieu of notice) if Mr Fang:
    - 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; or
    - breaches any material provision of the contract.
- Mr Fang may terminate his 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 Mr Fang an amount representing the number of weeks or days of the notice period he did not work.

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

- Payment of fixed remuneration (base salary, superannuation, transport allowance and non-monetary benefits);
- The Company may terminate the employee's employment by giving 2 to 3 months' written notice to the employee or 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; or
    - 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.

The remuneration of Executives for the year ended 30 June 2010 and June 2009 are detailed in Table 3 and 4 on page 38.

DIRECTORS' REPORT

Remuneration report (Audited) (cont'd)

Remuneration of Key Management Personnel of the Company and the Group

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

Table 1: Remuneration for the year ended 30 June 2010

	Short-Term			Post Employment			
Director	Salary and fees $	Bonus $	Others^ $	Super annuation $	Share-based Payment $	Total $	Performance related %
Executive directors							
Steven Fang	327,055	23,187	31,158	6,418	–	387,818	6.0
Jeremy Yee	204,739	14,515	26,305	6,508	–	252,067	5.8
Non-executive directors							
Kam Yuen	60,000	–	–	–	–	60,000	–
Seow Bao Shuen*	10,190	–	–	–	–	10,190	–
Samuel Kong	45,000	–	–	–	–	45,000	–
Mark Ryan	45,000	–	–	4,050	–	49,050	–
Voiron Chor	45,000	–	–	–	–	45,000	–
Company Secretary							
Andrew Lord	95,488	–	–	–	–	95,488	–

^ Other short-term remuneration relates to payment for transport, travel allowances and interest-free component of loans to KMP. Refer to Note 24 (e) for further details.

* Resigned 22 September 2009

Remuneration report (Audited) (cont'd)

Table 2: Remuneration for the year ended 30 June 2009

	Short-Term			Post Employment			
Director	Salary and fees $	Bonus $	Others^ $	Super annuation $	Share-based Payment $	Total $	Performance related %
Executive directors							
Steven Fang	299,589	23,187	19,909	6,345	54,000	403,030	19.2
Jeremy Yee	187,542	14,515	19,886	6,345	54,545	282,833	24.4
Non-executive directors							
Kam Yuen*	40,000	–	–	–	–	40,000	–
Seow Bao Shuen	45,000	–	–	–	–	45,000	–
Samuel Kong	45,000	–	–	–	–	45,000	–
Mark Ryan@	17,301	–	–	1,557	–	18,858	–
Voiron Chor@	17,301	–	–	–	–	17,301	–
Christopher Fullerton#	32,869	–	–	2,958	–	35,827	–
Peter Roberts#	27,869	–	–	–	–	27,869	–
Company Secretary							
Andrew Lord	53,615	–	–	–	–	53,615	–

^ Other short-term remuneration relates to payment for transport allowances and interest-free component of loans to KMP. Refer to Note 24 (e) for further details. The 2009 comparatives in relation to the interest-free component has been adjusted to reflect the appropriate accounting treatment.
* Appointed 23 October 2008
@ Appointed 12 February 2009
# Resigned 12 February 2009

DIRECTORS' REPORT

Remuneration report (Audited) (cont'd)

The following table discloses the remuneration of executives of the consolidated entity:

Table 3: Remuneration for the year ended 30 June 2010

	Short-Term			Post Employment			
Executive	Salary and fees $	Bonus $	Others^ $	Super annuation $	Share-based Payment $	Total $	Performance related %
Consolidated entity							
Susan Kheng	88,073	6,399	16,726	7,435	–	118,633	5.4
Simon Lee*	98,991	7,720	23,594	7,451	–	137,756	5.6
Jonathan Liau	74,506	4,848	17,776	7,981	–	105,111	4.6
Gwendolene Yeo	71,174	5,107	10,908	7,248	–	94,437	5.4
Emily Cheung	72,634	10,921	5,852	1,752	–	91,159	12.0

^ Other short-term remuneration relates to payment for transport and travel allowances
* Simon Lee met the definition of key management personnel on 1 July 2009

Table 4: Remuneration for the year ended 30 June 2009

	Short-Term			Post Employment			
Executive	Salary and fees $	Bonus $	Others^ $	Super annuation $	Share-based Payment $	Total $	Performance related %
Consolidated entity							
Susan Kheng	94,136	7,342	18,494	8,598	27,273	155,843	22.2
Simon Hoo	74,977	6,007	12,515	8,337	10,909	112,745	15.0
Jonathan Liau*	69,830	5,562	12,515	8,272	10,909	107,088	15.4
Gwendolene Yeo	74,554	5,859	11,124	8,114	10,909	110,560	15.2
Emily Cheung*	81,240	12,672	6,213	2,112	8,182	110,419	18.9
Simon Lee#	28,392	2,214	3,754	2,137	6,818	43,315	20.9
Sher Min Gaspar#	19,909	1,553	2,781	2,041	1,364	27,648	10.6

^ Other short-term remuneration relates to payment for transport allowances
* Jonathan Liau and Emily Cheung met the definition of key management personnel on 1 October 2008
# Ceased to be a key management personnel on 1 October 2008 due to changes in roles and responsibilities

Remuneration report (Audited) (cont'd)

7. Equity Instruments

Compensation options: Granted and vested for the year ended 30 June 2010

No options were granted or vested during the year 2010.

Options granted as part of remuneration for the year ended 30 June 2010

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	% Remuneration consisting of options for the year
Executive directors				
Steven Fang	–	49,500	–	–
Jeremy Yee	–	56,666	–	–
Other key management personnel				
Susan Kheng	–	12,000	–	–
Simon Lee	–	25,000	–	–
Jonathan Liau	–	11,333	–	–
Gwendolene Yeo	–	–	–	–
Emily Cheung	–	–	–	–

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

There were no forfeitures during the period.

Remuneration report (Audited) (cont'd)

Shares issued on exercise of share options

30 June 2010

	Shares issued No.	Paid per share $	Unpaid per share $
Executive directors			
Steven Fang	165,000	–	–
Jeremy Yee	166,666	–	–
Other key management personnel			
Susan Kheng	40,000	–	–
Simon Lee	83,334	–	–
Jonathan Liau	33,333	–	–
Gwendolene Yeo	–	–	–
Emily Cheung	–	–	–

30 June 2009

	Shares issued No.	Paid per share $	Unpaid per share $
Non-Executive directors			
Mark Ryan	26,666	–	–
Executive directors			
Steven Fang	210,000	–	–
Jeremy Yee	199,999	–	–
Other key management personnel			
Susan Kheng	83,334	–	–
Simon Hoo	33,333	–	–
Jonathan Liau	33,333	–	–
Gwendolene Yeo	33,333	–	–
Emily Cheung	25,000	–	–

End or Remuneration Report (Audited)

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 & Young, a copy of which follows the Audit Opinion.

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 2001*. 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	$13,736
Tax advisory services	$36,360
Professional training services	$83,224
Transaction advisory services	$45,652

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

30 September 2010

INDEPENDENT AUDITOR'S REPORT
to the Members of Cordlife Ltd

Audit Opinion

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent audit report to members of Cordlife Limited

Report on the Financial Report

We have audited the accompanying financial report of Cordlife Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 is included in the directors' report. 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.

GHM:NR:Cordlife:2010:002a

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 the consolidated entity at 30 June 2010 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 also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 40 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cordlife Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
30 September 2010

GHM:NR:Cordlife:2010:002a

AUDITOR INDEPENDENCE DECLARATION

to the Directors of Cordlife Ltd

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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 2010, 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

G H Meyerowitz
Partner
Perth
30 September 2010

GHM:NR:Cordlife:2010:003

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 consolidated entity are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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 consolidated entity will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

(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 2010.

On behalf of the Board

Steven Fang
Director

30 September 2010

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
For the financial year ended 30 June 2010

	Note	2010	2009
		$'000	$'000
Revenue	5(a)	25,499	23,686
Cost of services rendered		(6,891)	(6,516)
Gross profit		18,608	17,170
Other income			
- Sundry income	5(a)	55	29
- Gain on loss of control of subsidiary	5(a)	–	1,416
Distribution and marketing expenses		(5,662)	(4,287)
Share of results of associates	9	466	(8)
Administration expenses		(9,819)	(8,746)
Borrowing costs	5(b)	(39)	(24)
Profit before income tax		3,609	5,550
Income tax expense	6	(1,255)	(1,056)
Profit after income tax		2,354	4,494
Other comprehensive income			
Foreign currency translation (losses)/gains		(532)	1,726
Total comprehensive income for the period, net of tax		1,822	6,220
Profit / (loss) after income tax attributable to:			
Non-controlling interests		(8)	270
Members of parent		2,362	4,224
		2,354	4,494
Total comprehensive income / (loss) attributable to:			
Non-controlling interests		(147)	335
Members of parent		1,969	5,885
		1,822	6,220
Earnings per share for profits attributable to the ordinary equity holders of the Company:			
Basic EPS (cents per share)	18	2.29	4.57
Diluted EPS (cents per share)	18	2.27	4.50

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
As at 30 June 2010

	Note	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	27	8,541	7,978
Trade and other receivables	7	8,601	9,410
Inventories	8	324	281
Other financial assets	15	–	2,371
Total current assets		17,466	20,040
Non-current assets			
Investments in associates	9	12,060	–
Plant and equipment	10	2,499	1,155
Trade and other receivables	7	18,631	15,295
Intangible assets and goodwill	11	27,524	27,545
Deferred tax assets	6 (c)	–	8
Total non-current assets		60,714	44,003
Total assets		78,180	64,043
Current liabilities			
Trade and other payables	12	9,427	2,253
Provisions		280	288
Deferred revenue	13	3,016	2,928
Income tax payable		1,803	1,871
Interest-bearing borrowings	14	699	919
Finance lease liabilities	19	14	11
Total current liabilities		15,239	8,270
Non-current liabilities			
Deferred revenue	13	3,873	2,238
Finance lease liabilities	19	20	–
Deferred tax liabilities	6 (c)	41	–
Total non-current liabilities		3,934	2,238
Total liabilities		19,173	10,508
Net assets		59,007	53,535
Equity			
Contributed equity	16	82,967	76,357
Foreign currency translation reserve	17	(372)	21
Other reserve	17	(1,878)	–
Employee equity benefits reserve	17	1,773	1,773
Accumulated losses		(23,371)	(25,733)
Attributable to equity holders of the parent		59,119	52,418
Non-controlling interests		(112)	1,117
Total equity		59,007	53,535

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF
CASH FLOWS
For the financial year ended 30 June 2010

	Note	2010	2009
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		25,823	20,236
Payments to suppliers and employees		(23,033)	(18,997)
Interest received		251	175
Interest and other borrowing costs paid		(43)	(28)
Income taxes paid		(1,347)	(746)
Net cash from operating activities	27(c)	1,651	640
Cash flows from investing activities			
Purchase of plant and equipment		(1,750)	(353)
Payment for purchase of non-controlling interests		(415)	–
Payment for acquisition of interest in associate		(6,580)	–
Net cash disposed of from loss of control of subsidiary		–	(176)
Investment in term deposits (12 months)		–	(2,371)
Redemption of term deposits		2,371	–
Net cash used in investing activities		(6,374)	(2,900)
Cash flows from financing activities			
Proceeds from issue of shares in a subsidiary to non-controlling interests		–	11
Proceeds from issue of shares		6,024	–
Payment for transaction costs on issue of shares		(104)	–
Net cash generated from financing activities		5,920	11
Net increase/ (decrease) in cash and cash equivalents held		1,197	(2,249)
Cash and cash equivalents at the beginning of the financial year		7,059	8,364
Effects of exchange rate changes on the balance of cash held in foreign currencies		(414)	944
Cash and cash equivalents at the end of the financial year	27(a)	7,842	7,059

The above statement should be read in conjunction with the accompanying notes.

CHANGES IN EQUITY

For the financial year ended 30 June 2010

	Attributable to equity holders of the parent						Non-controlling interests	Total Equity
	Contributed equity $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Employee equity benefits reserve $'000	Other reserves $'000	Total $'000	$'000	$'000
At 1 July 2008	**76,361**	**(1,640)**	**(29,957)**	**1,431**	–	**46,195**	**765**	**46,960**
Profit for the period	–	–	4,224	–	–	4,224	270	4,494
Other comprehensive income	–	1,661	–	–	–	1,661	65	1,726
Total comprehensive income for the year, net of tax	–	1,661	4,224	–	–	5,885	335	6,220
Transactions with owners in their capacity as owners								
Share-based payments	–	–	–	342	–	342	–	342
Share of equity	–	–	–	–	–	–	17	17
Transaction costs on issue of shares	(4)	–	–	–	–	(4)	–	(4)
At 30 June 2009	**76,357**	**21**	**(25,733)**	**1,773**	–	**52,418**	**1,117**	**53,535**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
For the financial year ended 30 June 2010

	Attributable to equity holders of the parent						Non-controlling interests	Total Equity
	Contributed equity $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Employee equity benefits reserve $'000	Other reserves $'000	Total $'000	$'000	$'000
At 1 July 2009	76,357	21	(25,733)	1,773	–	52,418	1,117	53,535
Profit for the period	–	–	2,362	–	–	2,362	(8)	2,354
Other comprehensive losses	–	(393)	–	–	–	(393)	(139)	(532)
Total comprehensive income / (losses) for the year, net of tax	–	(393)	2,362	–	–	1,969	(147)	1,822
Transactions with owners in their capacity as owners								
Acquisition of non-controlling interests	690	–	–	–	(1,878)	(1,188)	(1,082)	(2,270)
Issuance of shares	6,024	–	–	–	–	6,024	–	6,024
Transaction costs on issue of shares	(104)	–	–	–	–	(104)	–	(104)
At 30 June 2010	82,967	(372)	(23,371)	1,773	(1,878)	59,119	(112)	59,007

The above statement should be read in conjunction with the accompanying notes.

1. Corporate information

The financial report of Cordlife Ltd (the "Company") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 30 September 2010.

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 5, 190 Queen Street, Melbourne, Victoria 3000, Australia.

The Company and its controlled entities' ("consolidated entity") principal activities in the course of the financial year were the provision of cord blood banking services, which involves the processing and storage of stem cells.

2. Summary of significant accounting policies

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 other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on the basis of historical cost.

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.

(a) Compliance with Standards

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009.

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations
- AASB 7 Financial Instruments: Disclosures
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements (revised 2007)
- AASB 123 Borrowing Costs (revised 2007)
- AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- AASB 2009-3 Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 and Interpretation 9]

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

- AASB 2009-6 Amendments to Australian Accounting Standards operative for periods beginning on or after 1 January 2009 that end on or after 30 June 2009
- AASB 3 Business Combinations (revised 2008)
- AASB 127 Consolidated and Separate Financial Statements (revised 2008)
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 3 Business Combinations (revised 2008)

The revised AASB 3 applies the acquisition method to account for business combinations. Under this method, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at the fair value or at the non-controlling interest proportionate to the share of the acquiree's net assets. In accordance with the transitional provisions, the Group will apply the revised standard prospectively.

AASB 127 Consolidated and Separate Financial Statements (revised 2008)

The revised Standard, which has been applied prospectively from 1 July 2009 in accordance with the transitional provisions of the Standard, requires total comprehensive income to be allocated to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Group previously only attributed losses to the non-controlling interests in excess of their share of the equity of the subsidiary where the non-controlling interest had a binding obligation and the ability to make an additional investment. As a result of the adoption of the revised Standard, the previous allocation of losses to the parent entity remains and is not reversed by subsequent profits. Accordingly, the Group recognised non-controlling interest in total comprehensive losses for the year amounting to $147,000.

During the period, the acquisition of non-controlling interests in two subsidiaries, PT Cordlife Indonesia and Cordlife (Hong Kong) Ltd, resulted in an amount of $1,878,000 being recognised in equity and represent the difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid.

AASB 8 Operating Segments

The Standard replaces AASB 114 Segment Reporting and requires a management approach to be used for segment reporting and also replaces the requirement to determine the primary (business) and secondary (geographical) reporting segments of the Group. This approach identifies operating segments by reference to internal reports that are evaluated regularly by the chief decision maker in deciding how to allocate resources and in assessing performance. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments reported under AASB 114. Additional disclosures about each segment and the method of identification have been shown in Note 23.

AASB 101 Presentation of Financial Statements (revised)

The revised Standard separates owner and non-owner changes in equity and requires a statement of comprehensive income to be prepared which discloses all changes in equity during a period resulting from non-owner transactions. The Group has elected to present comprehensive income using the single statement approach.

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

AASB 2 Share-Based Payments Revised: Vesting Conditions and Cancellations and AASB 2008-1 Amendments to Australian Accounting Standard Share-based Payments: Vesting Conditions and Cancellations:

The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

AASB 123 Borrowing Costs

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the Group has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. The Group did not capitalise any borrowing costs in the current period.

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in the respective notes. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 4.

(c) Australian Accounting Standards and Interpretations not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2010. These are outlined in the table below.

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

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on reclassifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: · has primary responsibility for providing the goods or service; · has inventory risk; · has discretion in establishing prices; · bears the credit risk. The amendment to AASB136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate preset value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 January 2010	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2010

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

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issue [AABS 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	The Group does not currently issue rights in a currency other than its functional currency and therefore these amendments are not expected to have any impact on the Group's financial report.	1 July 2010
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The Group is in the process of determining the extent of the impact of the Standard, if any.	1 July 2013

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

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: · two categories for financial assets being amortised cost or fair value · removal of the requirement to separate embedded derivatives in financial assets · strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows · an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition · reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes · changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2013

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

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The Group is in the process of determining the extent of the impact of the Standard, if any.	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as the government itself)	1 January 2011	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2011

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

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Limits the scope of the measurement choices of non-controlling interest proportionate share of net assets in the event of liquidation. Other components of NCA are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	1 July 2010	The Group is in the process of determining the extent of the impact of the Standard, if any.	1 July 2010
AASB 2010-4	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The Group is in the process of determining the extent of the impact of the Standard, if any.	1 July 2011
AASB 2010-1	Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB 7 Dsiclosures for First-time Adopters	First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers for financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	1 July 2010		1 July 2010

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

(d) Basis of consolidation

Subsequent to 1 July 2009

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.

The consolidated financial statements comprise the financial statements of Cordlife Ltd and its subsidiaries as at 30 June each year. Interests in associates are equity accounted and are not part of the consolidated Group. 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, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 2 (e)).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Prior to 1 July 2009

In comparison to the above mentioned requirements which were applied on a prospective basis from 1 July 2009, the following differences applied:

- Non-controlling interests (formerly known as minority interests) represented the portion of profit or loss and net assets of a subsidiary that were not wholly owned by the Group and were presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.

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

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

(e) Business combinations

Subsequent to 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 July 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional interest in the acquiree acquired did not affect previously affected goodwill. The goodwill amounts calculated at each step acquisition were accumulated.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquirer were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group has a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

(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.

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

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying 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 reporting date.

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.

(iii) Translation of Group Companies functional currency to presentation currency

The results of the subsidiaries are translated into Australian Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in subsidiaries are taken to the foreign currency translation reserve. If a subsidiary was sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(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 statement of comprehensive income as incurred.

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

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

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

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 statement of comprehensive income 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 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.

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

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) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(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 includes (see Note 11):

- Cord blood banking business in Singapore; and
- Cord blood banking business in Hong Kong.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

Cordlife Ltd performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for the two cash generating units to which goodwill has been allocated. Further details on the methodology and assumptions used are outlined in Note 11.

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 - software

Software acquired is initially measured at cost. Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Software is amortised on a straight line basis over 3 years. The amortisation period and the amortisation method is reviewed at each financial year end.

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

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 non-financial assets other than goodwill

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.

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.

(l) Available-for-sale financial assets

Available-for-sale investments in the scope of AASB 139 Financial Instruments : Recognition and Measurement are those non-derivative financial assets that are designated as available-for-sale. When these financial assets are recognised initially, they are measured at fair value. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include : using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

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

(m) 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:

Rendering of services

Revenue from cord blood banking contracts is recognised by reference to the stage of completion of the service. Stage of completion is measured by reference to the percentage of costs incurred to estimated total costs to complete the contracts.

Where services are being provided under cord blood banking contracts, revenue is only recognised to the extent that services are being rendered, with the remaining being accounted for as deferred revenue on the statement of financial position.

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.

(n) Trade and other receivables

Current 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 impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or long overdue debts are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Non-current trade receivables are carried at amortised cost less allowance for impairment. The expected net cash flows have been discounted to their present value using market determined risk adjusted discount rates for respective entities in the Group.

Non-current trade receivables represents cord blood banking service revenues receivable under annual, five year and ten year plans that have yet to be billed to the customer. Upon billing, the billed amount will be receivable under the same terms as current trade receivables.

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

(o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits that are held for the purpose of meeting short term commitments and not for investment purposes and 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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing borrowings in current liabilities on the statement of financial position.

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 22.

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 22.

In valuing equity-settled transactions, no account is taken of any 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 statement of comprehensive income 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 statement of comprehensive income 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.

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

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.

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

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 statement of comprehensive income.

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 statement of comprehensive income on a straight-line basis over the lease term.

(r) Inventories

Inventories of the Group are measured and carried at cost on a first in first out basis, and consist of collection kit boxes used in the provision of a service. Inventories are subsequently valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(s) Investment in associates

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and at cost less any accumulated impairment losses in the parent. 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 statement of financial position 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 statement of comprehensive income, 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 statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment.

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.

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.

(t) 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 reporting date.

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

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

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
- 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 reporting 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 reporting 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 reporting date.

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.

(u) 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 statement of financial position.

Cash flows are included in the statement of cash flows 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.

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

(v) 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.

(w) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short term nature, they are not discounted. 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.

(x) 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 due to be settled within 12 months of the reporting date, are measured at their nominal values using the remuneration rate due to apply at the time of settlement. Expenses 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.

(y) 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.

(z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares.

(aa) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of directors.

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services, and if applicable; and
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

3. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

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 11.

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 22. 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. Details of the impairment loss allowance is outlined in Note 7.

3. 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 10.

Revenue recognition

The Group recognises revenue from cord blood banking service contracts based on the stage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 2(m). Significant assumptions and estimates are required in determining the stage of completion, total estimated costs, revenue and deferred revenue. In making the assumptions, the Group evaluates them by relying on past experience and evidence.

Expected net cash flows have been discounted to their present value using market determined risk adjusted discount rates for the following entities in the Group:

- Cordlife Pte Ltd – 10% (2009: 10%)
- Cordlife (Hong Kong) Ltd – 14% (2009: 14%)
- PT Cordlife Indonesia – 14% (2009: 14%)

4. Financial risk management objectives and policies

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management processes and initiatives. The Group manages its financial risks to support the delivery of the Group's financial targets whilst protecting future financial security. The Board reviews and agrees management's processes for managing each of these risks as summarised below. The Company believes that it is crucial for all Board members to be a part of this process.

(a) Interest rate risk

The Group's key exposure to cash flow market interest rate risk is from the Group's cash and cash equivalents and other financial assets which relate to term deposits of varying maturities and variable interest rates during the financial year. The details of cash balances required to meet short term commitments is disclosed in Note 27. Cash held as security against a bank overdraft facility is disclosed in Note 15.

The Group has cash balances placed with reputable banks and financial institutions. The Group manages its interest rate risks on its interest income by placing cash balances in deposits of varying maturities to access the strongest interest rates available and conserve the capital base of those funds.

Movements in interest rates will therefore have an impact on the Company and the Group. At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit/loss and equity would have been affected as follows:

	Net profit Higher/ (Lower)		Other Comprehensive Income Higher/ (Lower)	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Judgements of reasonably possible movements[1]:				
+ 1% (2009: +1%)	78	94	78	94
- 0.5% (2009: -0.5%)	(39)	(47)	(39)	(47)

[1] The rate applied in 2010 is based on management expectations.

Profit sensitivity is higher in 2009 due to greater exposure to interest rate movements from higher cash balances net of overdraft accounts.

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

(b) Foreign currency risk

As a result of significant operations in Singapore, Hong Kong, Indonesia and India, the Group's statement of financial position can be affected by movements in the S$/A$, HK$/A$, IDR/A$ and INR/A$ exchange rates. The Group did not seek to hedge this exposure as the currency positions in S$, HK$, IDR and INR are considered to be long-term in nature.

The Group is therefore exposed to translation risk when reporting in Australian dollars but do not consider there to be a foreign currency risk exposure.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise mainly of cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group's primary bankers are United Overseas Bank Limited and Commonwealth Bank of Australia, with whom the Group's operating accounts are held. The directors consider these financial institutions, which have ratings of at least A from Standard & Poor's, to be appropriate for the management of credit risk with regards to funds on deposit.

Trade receivables comprise amounts due from parents and therefore the individuals cannot be subject to the types of credit assessments that could be otherwise undertaken if dealing with a corporate entity. As such, the Group can potentially be subject to credit risks. To mitigate such risks, receivable balances are monitored on a regular basis with the result that the Group's exposure to bad debts to date has not been significant.

The nature of the cord blood banking business whereby the child's umbilical cord stem cells are stored with the Group reduces the likelihood of default in payment.

Except for the matters above, there are no significant concentrations of credit risk within the Group.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain adequate funding to meet the operating requirements of the business and to facilitate the Group's ongoing growth plans.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets.

At reporting date, the Group has cash and cash equivalents and term deposits of $7,842,000 and unused credit facilities for its immediate use of $1,389,000. Hence, the Group's exposure to liquidity risk is minimal.

5. Revenue and expenses

	2010	2009
	$'000	$'000
(a) Revenue		
Revenue from the rendering of services	24,628	22,949
Other revenue		
Interest revenue	153	185
Interest income on long-term trade receivables	718	552
Total revenue	25,499	23,686
Other income		
Gain on loss of control of subsidiary	–	1,416
Net foreign exchange gain	–	14
Other	55	15
	55	1,445
Total revenue and other income	25,554	25,131
(b) Expenses		
Borrowing costs		
- Interest on bank overdraft	39	24
Depreciation of plant and equipment	636	595
Amortisation of intangible assets:		
- Software	28	38
Operating lease rental expenses	729	525
Employee benefits expense:		
- Wages and salaries	6,706	6,068
- Defined contribution plan expense	556	519
- Share-based payment expense	–	342
	7,262	6,929
Other expenses:		
- Legal and professional	524	148
- Travel	1,139	846
- Consultancy	295	319
- Advertising and promotion	2,826	1,608
- Impairment loss on investment in associates	–	122
- Impairment loss on available-for-sale investment	–	231

6. Income tax

(a) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

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

	2010 $'000	2009 $'000
Profit before income tax	3,609	5,550
Income tax expense calculated at the Group's statutory income tax rate of 30% (2009: 30%)	1,083	1,665
Expenses not deductible for tax purposes	210	301
Income not subject to tax	(78)	(469)
Tax losses and temporary differences not brought to account as deferred tax asset	1,163	833
Utilisation of tax benefits not recognised in prior years	(62)	(83)
Differences in tax rates	(1,093)	(1,064)
Over provision in prior years	(4)	(66)
Others	36	(61)
Income tax expense	1,255	1,056

(b) Income tax expense

The components of income tax expense in the statement of comprehensive income are

	2010 $'000	2009 $'000
Current income tax	1,208	1,088
Deferred income tax:		
- Relating to origination and reversal of temporary differences	47	(32)
	1,255	1,056

6. Income tax (cont'd)

(c) *Recognised deferred tax assets and liabilities*

	Statement of financial position		Statement of comprehensive income	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Accelerated depreciation: plant and equipment	43	11	32	(9)
Deferred tax assets				
Tax allowances	(2)	(19)	17	(19)
Exchange differences	–	–	(2)	(4)
Deferred income tax expense / (benefit)	–	–	47	(32)
Deferred tax liabilities / (assets)	41	(8)		

The taxation benefits of certain tax losses and temporary 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 benefits from the deductions to be realised.

The deferred tax assets arising from revenue tax losses of the controlled entities not brought to account is $1,163,000 (2009: $833,000).

Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Group has assessed the potential impact of these changes on the Group's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2010 (2009: nil).

7. Trade and other receivables

	2010	2009
	$'000	$'000
Current		
Trade receivables	6,982	8,380
Allowance for impairment loss	(169)	(155)
	6,813	8,225
Goods and services tax (GST) receivable	298	139
Interest and other receivables	1,444	554
Amount owing from associates	46	492
	8,601	9,410

7. Trade and other receivables (cont'd)

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 to twelve months.

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

Allowance for impairment loss

Trade and other receivables are non-interest bearing. An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. An impairment loss of nil (2009: $215,000) has been recognised by the Group in the current year. This amount was included in the administration expense item for 2009.

Movements in the impairment allowance account were as follows:

	2010	**2009**
	$'000	$'000
At 1 July	155	78
Charge for the year	18	77
Exchange rate adjustment	(4)	–
At 30 June	169	155

At 30 June, the ageing analysis of current trade receivables is as follows:

		Total	**0 – 30 days**	**31 – 60 days**	**61 – 90 days**	**>90 days CI***	**>90 days PDNI***
2010	Consolidated	6,982	5,076	579	226	169	932
2009	Consolidated	8,380	3,646	867	847	155	2,865

* Past due not impaired ('PDNI')
Considered impaired ('CI')

Receivables past due but not impaired are $932,000 (2009: $2,865,000). All of the customers are parents. Given the nature of cord blood banking business whereby the child's umbilical cord stem cells are stored with the Group, the likelihood of default in payment is considered minimal. Each operating unit has been in direct contact with the relevant customer and is satisfied that payment will be received in full.

7. Trade and other receivables (cont'd)

Other balances within trade and other receivables, other than those stated above, do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

	2010	2009
	$'000	$'000
Non-current		
Trade receivables	18,552	15,433
Allowance for impairment loss	(117)	(138)
	18,435	15,295
Deposits	196	–
	18,631	15,295

Movements in the impairment allowance account were as follows:

	2010	2009
	$'000	$'000
At 1 July	138	–
(Write back)/ charge for the year	(18)	138
Exchange rate adjustment	(3)	–
At 30 June	117	138

Non-current trade receivables represent cord blood banking service revenues receivable under annual, five year and ten year plans that have yet to be billed to the customer. Upon billing, the billed amount will be receivable under the same terms as current trade receivables.

Non-current trade receivables are carried at amortised cost and are not yet due. The expected net cash flows have been discounted to their present value using market determined risk adjusted discount rates for the following entities in the Group:

- Cordlife Pte Ltd – 10% (2009: 10%)
- Cordlife (Hong Kong) Ltd – 14% (2009: 14%)
- PT Cordlife Indonesia – 14% (2009: 14%)

Fair value

Due to the short term nature of current receivables, their carrying value is assumed to approximate their fair value. The fair value of the non-current trade receivables is equivalent to its carrying value.

Foreign exchange and credit risk

Refer to Note 4 for details regarding the risk exposures arising from financial assets.

8. Inventories

Inventories of the Group consist of consumables carried at cost that are used when rendering the cord blood processing service.

9. Investments in associates

	2010 $'000	2009 $'000
Movement in carrying amount:		
Investments in associates - at 1 July	–	231
Additions - Biocell investment	–	130
Additions – China Stem Cell (South) investment	11,594	–
Less : Impairment	–	(122)
Less : Share of profit/(loss) after income tax	466	(8)
Less : Reclassification to available-for-sale investment	–	(231)
At 30 June	12,060	–

The Group has a 3.9% interest and one Board seat in Pharmacell B.V at reporting date. Pharmacell B.V. is a company incorporated in the Netherlands and 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. The contribution of losses of this associate company to the net profit of the Group for the year ended 30 June 2010 is nil (2009: nil). The share of losses has been capped to the cost of the investment since 2007.

At 30 June 2010, the Group has a 25.6% equity stake in Cytomatrix Pty Ltd and its subsidiaries. The Company's investment in this has been fully impaired.

The Group's 28.4% interest in Australian Stem Cell Healthcare Pty Ltd was reduced to 8.75% during the year. It has one Board seat at reporting date. It provides umbilical cord blood collection, processing, and cryopreservation services. The contribution of losses of this associate company to the net profit of the Group for the year ended 30 June 2010 is nil (29 December 2008 to 30 June 2009: $8,000). The share of losses has been capped to the cost of the investment less impairment since 2009.

The Group has a 10% interest in China Stem Cell (South) Company Limited ("CSC South") and one Board seat at reporting date. CSC South directly owns 100% equity interest in one of the largest cord blood banks in Asia, Municipality Tianhe Nuoya Bio-engineering Co. Ltd ("Nuoya"). Nuoya is the sole licensed cord blood banking operator in Guangdong province and has exclusive and full access to about 1 million new births in the province annually by virtue of the licensing rules in the country. It provides umbilical cord blood collection, processing and cryopreservation services. The contribution of profit of this associated company to the net profit of the Group for the period 1 January 2010 to 30 June 2010 is $466,000.

9. Investments in associates (cont'd)

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

	2010 $'000	2009 $'000
Share of associates' statement of financial position:		
Current assets	1,351	356
Non-current assets	4,645	793
Current liabilities	(2,688)	(267)
Non-current liabilities	(770)	(865)
Net assets	2,538	17
Share of associates' profit or loss:		
Profit/ (loss) before income tax	636	(8)
Income tax expense	(170)	-
Profit/ (loss) after income tax	466	(8)

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 $912,000 (2009: $730,000). The Group has no obligation in respect of these losses.

10. Plant and equipment

	2010	2009
	$'000	$'000
Leasehold improvements		
At cost	1,273	322
Accumulated depreciation	(267)	(158)
	1,006	164
Office equipment		
At cost	1,815	1,166
Accumulated depreciation	(976)	(693)
	839	473
Plant and equipment		
At cost	1,511	1,194
Accumulated depreciation	(896)	(687)
	615	507
Motor vehicles		
At cost	80	35
Accumulated depreciation	(41)	(24)
	39	11
Total plant and equipment		
At cost	4,679	2,717
Accumulated depreciation	(2,180)	(1,562)
Total written down amount	2,499	1,155

10. Plant and equipment (cont'd)

Reconciliation of carrying amounts at the beginning and end of period

	2010	2009
	$'000	$'000
Leasehold improvements		
Cost	322	267
Accumulated depreciation	(158)	(54)
Net carrying amount at beginning	164	213
Additions	940	25
Disposals	-	–
Depreciation expense	(114)	(100)
Exchange rate adjustment	16	26
	1,006	164
Office equipment		
Cost	1,166	941
Accumulated depreciation	(693)	(470)
Net carrying amount at beginning	473	471
Additions	660	243
Disposals	(12)	(8)
Disposal due to loss of control of subsidiary	-	(28)
Depreciation expense	(296)	(254)
Exchange rate adjustment	14	49
	839	473
Plant and equipment		
Cost	1,194	1,027
Accumulated depreciation	(687)	(490)
Net carrying amount at beginning	507	537
Additions	333	329
Disposals	-	(1)
Disposal due to loss of control of subsidiary	-	(163)
Depreciation expense	(212)	(229)
Exchange rate adjustment	(13)	34
	615	507
Motor vehicles		
Cost	35	32
Accumulated depreciation	(24)	(12)
Net carrying amount at beginning	11	20
Additions	41	–
Depreciation expense	(14)	(12)
Exchange rate adjustment	1	3
	39	11

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

11. Intangible assets and goodwill

	2010 $'000	2009 $'000
Goodwill	27,500	27,500
Software	119	109
Accumulated amortisation	(95)	(64)
	24	45
	27,524	27,545

The aggregate amortisation for the year was $28,000 (2009: $38,000).

Reconciliation

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

	2010 $'000	2009 $'000
Goodwill		
Cost	27,500	27,743
Net carrying amount at beginning	27,500	27,743
Write-off of goodwill on dilution of Biocell investment	–	(243)
	27,500	27,500
Software		
Cost	109	96
Accumulated amortisation	(64)	(36)
Net carrying amount at beginning	45	60
Additions	10	13
Amortisation expense	(28)	(38)
Exchange rate adjustment	(3)	10
	24	45

11. Intangible assets and goodwill (cont'd)

(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.

Software is carried at cost less accumulated amortisation and accumulated 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 software has been recognised in the statement of comprehensive income in the line item "administration expenses".

(b) Impairment test for goodwill

Goodwill acquired through business combinations has been allocated to two individual cash generating units for impairment testing at year end as follows:

- Cord blood banking business in Singapore; and
- Cord blood banking business in Hong Kong.

Cord blood banking business in Singapore

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 approved by senior management and the Board of Directors covering a 5-year period. The nominal pre-tax discount rate applied to cash flow projections is 12% (2009: 11%). Cash flows used beyond five years to determine terminal value until perpetuity is projected using a growth rate of 1% which is lower than the long-term average growth rate for the industry.

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 approved by senior management and the Board of Directors covering a 5-year period. The nominal pre-tax discount rate applied to cash flow projections is 15% (2009: 16%). Cash flows beyond five years to determine terminal value until perpetuity is projected using a growth rate of 1% which is lower than the long-term average growth rate for the industry.

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

	2010	**2009**
	$'000	$'000
Cash generating unit		
Cord blood banking business in Singapore	22,980	22,980
Cord blood banking business in Hong Kong	4,520	4,520
Carrying amount of goodwill	27,500	27,500

11. Intangible assets and goodwill (cont'd)

Key assumptions used in the value in use calculations for the cash generating units for 30 June 2010 and 30 June 2009

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 flows for the first three years are projected using a growth rate of 15% for Singapore and 33% for Hong Kong, followed by an average customer growth rate of 5% in the fourth and fifth years. In 2009, cash flows for the first five years for Singapore and Hong Kong were projected using a growth rate of 5%. These projections are based on financial forecasts approved by senior management and the Board of Directors following a review of historical growth rates achieved.
- Cash flow projections include expected growth in new customers and expected cash flows from annual storage fees receivable.

No impairment expense was identified in relation to the cash generating units during the year (2009: $243,000).

Sensitivity to changes in assumptions

Management believes that no reasonable possible changes in any of the above key assumptions would cause the carrying value of the cash generating unit to materially exceed its recoverable amount.

12. Trade and other payables

	2010	2009
	$'000	$'000
Trade payables	461	493
Goods and services tax (GST) payable	352	242
Non-trade payables and accruals	8,614	1,518
	9,427	2,253

Non-trade payables include amounts due to China Stem Cell (South) Company Limited for the purchase of 10% equity stake. At reporting date, an amount of US$6m had been paid, with the remaining US$4m being recorded in non-trade payables.

Terms and conditions

(i) Trade payables, GST payable and other non-trade payables are non-interest bearing and are normally settled on 30-60 day terms.

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Refer to Note 4 for details regarding risk exposures arising from financial liabilities.

13. Deferred revenue

	2010	2009
	$'000	$'000
Deferred revenue (current)	3,016	2,928
Deferred revenue (non-current)	3,873	2,238

Deferred revenue represents revenue received in advance for services to be rendered under cord blood banking contracts.

14. Interest-bearing borrowings

	2010	2009
	$'000	$'000
Bank overdraft	699	919

The Group has a $1,670,000 overdraft facility. This facility is fully secured and bears interest of 5.2% per annum.

$2,371,000 of the term deposits are pledged against the bank overdraft for the term of the bank overdraft.

The carrying amount approximates its fair value due to its short term nature.

15. Other financial assets

	2010	2009
	$'000	$'000
Term deposits	–	2,371

In the previous year, term deposits were held as security for a bank overdraft facility and have been placed with a bank with a maturity period of more than 3 months as at 30 June 2009.

During this financial year, these term deposits are similarly held as security for the bank overdraft facility but are placed for a maturity period of not more than 2 weeks as at 30 June 2010. Hence, these term deposits are classified as part of cash and cash equivalents.

16. Contributed equity

	2010 $'000	2009 $'000
108,899,928 (2009: 92,620,014) fully paid ordinary shares	82,967	76,357
Fully paid ordinary shares : Balance at beginning of financial year		
- 92,620,014 (2009: 91,103,344) fully paid ordinary shares	76,357	76,361
Issue of shares during the year		
- 16,279,914 (2009: 1,516,670) fully paid ordinary shares	6,714	–
Transaction costs related to issue of shares	(104)	(4)
Balance at end of financial year	82,967	76,357

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.

During the year, the Company issued 14,008,251 ordinary shares at $0.43 per share upon the successful completion of share placement agreements entered into on 23 October 2009.

The Company also issued 1,500,000 shares at $0.46 per share to BS Fund Management Pte Ltd. This is part of the consideration of the Company's acquisition of 49 per cent equity stake in its subsidiary, Cordlife (Hong Kong) Ltd on 17 May 2010.

The Company also issued 771,663 ordinary shares at the exercise price of $0.00 per share upon the exercise of 771,663 share options by employees pursuant to the Options and Performance Rights Plan.

Capital management

Capital comprise of shareholders' equity as disclosed in the statement of financial position.

The Group's objective when managing capital is to ensure that the Group continues as a going concern as well as to maintain optimal returns to shareholders and other benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity as well as to allow the Group to expand and pursue future investment activities.

To adjust the capital structure to take advantage of favourable costs of capital or high returns on assets, the Group may obtain gearing through loans and borrowings, pay dividends to shareholders, return capital to shareholders or issue new shares.

The Group is currently primarily equity-funded and raises capital from the market.

17. 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 22 for further details of this Plan.

Other reserve

During the financial year, the Company purchased non-controlling interests in PT Cordlife Indonesia and Cordlife (Hong Kong) Ltd. Consideration paid in excess of the carrying value of the non-controlling interest has been recognised in other reserve.

18. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

		2010	2009
		$'000	$'000
(a)	***Earnings used in calculating earnings per share***		
	Net profit attributable to ordinary equity holders of the parent	2,362	4,224

		2010	2009
		'000	'000
(b)	***Weighted average number of shares***		
	Weighted average number of ordinary shares for basic earnings per share	103,126	92,492
	Effect of dilution:		
	Share options	708	1,308
	Weighted average number of ordinary shares adjusted for the effect of dilution	103,834	93,800

There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share in the current year that could potentially dilute basic earnings per share in the future. In 2010, potential ordinary shares arising on the exercise of share options were excluded as they were anti-dilutive.

Total anti-dilutive options which could be dilutive in the future was nil at 30 June 2010 (2009: nil).

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

19. Commitments

Operating lease commitments

Operating leases relate to office premises with lease terms of between 2 to 21 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:

	2010	2009
	$'000	$'000
Within one year	847	390
After one year and not more than 5 years	2,614	587
More than 5 years	1,317	1,275
	4,778	2,252

Finance lease commitments

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

	Minimum lease payments 2010	Present value of payments 2010	Minimum lease payments 2009	Present value of payments 2009
	$'000	$'000	$'000	$'000
Within one year	16	14	13	11
After one year but not more than five years	22	20	–	–
Total minimum lease payments	38	34	13	11
Less: Amounts representing finance charges	(4)	–	(2)	–
Present value of minimum lease payments	34	34	11	11

The weighted average interest rate implicit in the lease is 3.75% (2009: 7%).

20. Controlled entities

Name of company	Country of incorporation	Percentage of equity held by the Parent	
		2010	2009
		%	%
Parent entity			
Cordlife Ltd	Australia		
Controlled entities			
Cordlife Pte Ltd	Singapore	100	100
CLS Services Pte Ltd	Singapore	100	100
Cordlife International Pte Ltd^	Singapore	100	100
Cordlife Services (S) Pte Ltd	Singapore	100	100
Cordlife (M) Sdn Bhd^	Malaysia	100	100
Cordlife (Australia) Pty Ltd^	Australia	100	100
Cordlife (Hong Kong) Ltd	Hong Kong	100	51
Shanghai Cordlife Stem Cell Research Co. Ltd^	Peoples' Republic of China	100	100
Cordlife Sciences Ltd	Thailand	100	100
CyGenics (Thailand) Ltd#	Thailand	49	49
Cordlife Sciences (India) Pvt Ltd +	India	85	85
PT Cordlife Indonesia ^	Indonesia	65	51
Cordlife Medical Phils Inc.	Philippines	100	100
CLS Services B.V.	Europe	100	100

^ Investments held by Cordlife Pte Ltd
\+ Investments held by Cordlife Services (S) Pte Ltd
\# Cygenics (Thailand) Ltd is considered a controlled entity as Cordlife Ltd has 99% of the voting rights and share of profits

21. Parent entity information

	Company 2010 $'000	Company 2009 $'000
Information relating to Cordlife Ltd:		
Current assets	8,343	3,016
Total assets	44,529	37,834
Current liabilities	2,227	358
Total liabilities	2,227	358
Issued capital	82,967	76,357
Retained earnings	(42,438)	(40,654)
Employee equity benefits reserve	1,773	1,773
Total shareholders' equity	42,302	37,476
Profit or loss of the parent entity	(1,785)	(2,847)
Total comprehensive income of the parent entity	(1,785)	(2,847)

The Company has guaranteed the bank overdraft facility of its subsidiary Cordlife Pte Ltd up to a maximum amount of $418,000 (2009: $428,000). At 30 June 2010, the facility amount was unused.

22. Share-based payment plan

(a) Recognised share-based payment expense

The expense recognised during the year is as follows :

	2010 $'000	2009 $'000
Expense arising from equity-settled share-based payment transactions	–	342

(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. The Plan was administered by the Remuneration Committee up until 30 January 2009 and subsequent to this date it is now administered by the Board. 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 executives, exceed 10% of the total ordinary shares in the Company issued at the time of issue of the performance rights or options.

In 2007, performance rights allocations were made to employees. Each allocation comprised three tranches and each tranche covered a financial year (2006, 2007, 2008). The vesting of each tranche is dependent on the meeting of Key Result Areas (KRAs) and a service period of each individual. The KRAs relate to financial and non-financial corporate and individual measures of performance. Typically included are measures such as contribution to revenue based on client sign-ups, customer service, risk management, product management and leadership contributions.

22. Share-based payment plan (cont'd)

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 termination of employment, the unvested performance rights lapse immediately.

On an annual basis, management and the Board, in line with their responsibilities, determine for each employee whether they have met their performance vesting conditions. This process usually occurs within 3 months after the reporting date.

In September 2007, the performance hurdles for the third and final tranche of share options for FY 2008 were established and approved.

The options had all vested by 30 June 2009. The exercise price of all options granted is $0.00 per option. There are no cash settlement alternatives.

No options were issued to employees (excluding key management personnel) during the year ended 30 June 2010 (2009: 63,333). No share options were issued to KMPs (2009: nil).

(c) Summary of options granted under the Plan

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

	2010	2009
Outstanding at the beginning of the year	1,318,324	3,066,658
Granted during the year	–	63,333
Exercised during the year *	(771,663)	(1,516,670)
Not granted	–	(294,997)
Outstanding at the end of the year	546,661	1,318,324
Exercisable at the end of the year	546,661	1,254,991

* The weighted average share price at the date of exercise is $0.29 (2009: $0.27).

(d) Weighted average exercise price

The weighted average exercise price is $0.00 (2009: $0.00) as stipulated in the Options and Performance Rights Plan.

(e) Weighted average fair value

There were no share options granted during the year. The weighted average fair value of options granted last year was $0.35.

(f) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 4.1 years. (2009: 3.8 years).

(g) Option pricing model

As there are no market based performance hurdles attached to any of the share options issued to date and, the exercise price is $0.00 (2009: $0.00), the value of each share option issued is equivalent to the share price on day of grant.

23. Segment information

The Group has identified its operating segments based on the internal management reporting that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the business and the similarity of services provided, method of service delivery, gross margin, types of customers and risks associated with the geographical market, as these are the sources of the Group's major risks and has the most effect on the rates of return.

- Stabilised Markets
  Stabilised markets include Cordlife's cord blood banking operations in Singapore and Hong Kong, as these geographical operations involve similar types of customers, gross margins on services provided and risks associated with the geographical market. The reporting segment provides cord blood extraction and storage services in the stabilised markets.
- Developing Markets
  Developing markets include Cordlife's cord blood banking operations in Indonesia, Philippines and India, as these cord blood banking markets have a similar level of maturity, customer type, gross margin and associated market risks. The reporting segment provides cord blood extraction and storage services in the developing markets.

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2(aa) to the accounts.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of the segment:

- Corporate costs
- Share of losses and impairment losses of associates
- Interest income excluding interest income on long-term trade receivables
- Net gains and losses on disposal of subsidiary

23. Segment information (cont'd)

	Stabilised markets* $'000	Developing markets $'000	Total $'000
Segment revenues			
Year ended 30 June 2010			
Revenue from external customers for cord blood banking services:	22,740	1,888	24,628
Interest income on long-term trade receivables	694	24	718
Unallocated revenue:			
- Interest income			153
Total consolidated revenue			25,499

	Stabilised markets* $'000	Developing markets $'000	Total $'000
Segment revenues			
Year ended 30 June 2009			
Revenue from external customers for cord blood banking services:	20,935	2,014	22,949
Interest income on long-term trade receivables	545	7	552
Unallocated revenue:			
- Interest income			185
Total consolidated revenue			23,686

* 27.9% (2009: 25.4%) of stabilised markets' revenue relate to Hong Kong and 72.1% (2009: 74.6%) relate to Singapore.

23. Segment information (cont'd)

Segment results

	2010 $'000	2009 $'000
Segment profit from cord blood banking services:		
- Stabilised markets	7,535	7,453
- Developing markets	(2,233)	(1,684)
	5,302	5,769
Unallocated income/ (expense):		
Share of loss of associates	466	(8)
Interest income	153	185
Gain on loss of control of subsidiary	–	1,416
Impairment loss on investment in associates	–	(122)
Impairment loss on available-for-sale investment	–	(231)
Corporate costs	(2,255)	(1,437)
Other unallocated	(57)	(22)
Profit before income tax expense	3,609	5,550
Income tax expense – current tax	(1,255)	(1,056)
Total net profit for the year	2,354	4,494

	Assets $'000	Liabilities $'000
Segment assets and liabilities		
30 June 2010		
Segment assets and liabilities from cord blood banking services:		
- Stabilised markets	84,835	26,617
- Developing markets	5,726	8,746
Eliminations	(26,165)	(24,244)
Corporate assets / liabilities	13,254	7,311
Others	530	743
Consolidated	78,180	19,173

23. Segment information (cont'd)

	Assets	Liabilities
	$'000	$'000
Segment assets and liabilities		
30 June 2009		
Segment assets and liabilities from cord blood banking services:		
- Stabilised markets	69,320	17,005
- Developing markets	3,832	5,082
Eliminations	(10,994)	(12,724)
Corporate assets / liabilities	1,476	662
Others	409	483
Consolidated	64,043	10,508

	Stabilised markets	Developing markets	Unallocated	Total
	$'000	$'000	$'000	$'000
Other segment information				
Year ended 30 June 2010				
Depreciation and amortisation of segment assets	356	215	93	664
Year ended 30 June 2009				
Depreciation and amortisation of segment assets	303	223	107	633

24. 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 20 to the financial statements.

(b) *Transactions with associates*

There were no transactions between the Company or any of its subsidiaries and the associates during the current financial year (2009: nil).

(c) *Related party balances*

Refer to Notes 7 and 12 for information regarding outstanding related party balances at year end.

(d) *Key management personnel*

Details relating to KMP, including remuneration paid, are included in Note 25.

24. Related party disclosures (cont'd)

(e) *Loans to key management personnel*

Interest-free loans totalling $52,000 (2009: $82,000) were provided to key management personnel for the purpose of the Company's Car Assistance Scheme. The use of the loan is strictly for the purchase of a vehicle registered under the key management personnel's name. The loan is repayable within 2 years on interest-free terms, through deduction of monthly salary.

The loans were provided to Mr Fang Boon Sing Steven and Mr Jeremy Yee.

The interest-free component is $9,595 (2009: $10,703) and is disclosed in the Remuneration Report.

25. Key management personnel disclosures

Details of key management personnel

Directors:

Kam Yuen	(Chairman, non-executive)
Steven Fang	(Director, executive)
Jeremy Yee	(Director, executive)
Seow Bao Shuen	(Director, non-executive, resigned on 22 September 2009)
Samuel Kong	(Director, non-executive)
Mark Ryan	(Director, non-executive)
Voiron Chor	(Director, non-executive)

Executives:

Susan Kheng	(Group General Manager)
Jonathan Liau	(Head of Business Development)
Simon Lee	(Corporate Development Director)
Gwendolene Yeo	(General Manager - Singapore)
Emily Cheung	(General Manager - Hong Kong)

Compensation of key management personnel

	2010 $	2009 $
Short-term employee benefits	1,442,866	1,395,226
Post employment benefits	48,843	56,816
Share-based payment	–	184,909
	1,491,709	1,636,951

25. Key management personnel disclosures (cont'd)

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:

	Balance at 1/7/2009	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30/6/2010
	No.	No.	No.	No.	No.
Directors:					
Kam Yuen	17,525,000	–	–	(17,525,000)*	–
Steven Fang	6,564,960	–	165,000	–	6,729,960
Jeremy Yee	654,367	–	166,666	–	821,033
Seow Bao Shuen+	11,819,448	–	–	(11,819,448)	–
Samuel Kong	–	–	–	–	–
Mark Ryan	65,233	–	–	–	65,233
Voiron Chor	–	–	–	–	–
Executives:					
Susan Kheng	573,638	–	40,000	–	613,638
Simon Hoo^	66,667	–	–	(66,667)	–
Simon Lee@	–	–	83,334	653,954#	737,288
Jonathan Liau	66,667	–	33,333	–	100,000
Gwendolene Yeo	77,931	–	–	–	77,931
Emily Cheung	50,000	–	–	–	50,000
	37,463,911	–	488,333	(28,757,161)	9,195,083

+ Ceased to be a KMP due to resignation on 22 September 2009

^ Ceased to be a KMP on 1 July 2009 due to changes in roles and responsibilities

@ Simon Lee met the definition of key management personnel on 1 July 2009

Ordinary shares held prior to appointment as key management personnel

* Mr Kam previously had indirect shareholdings in the Company through his position as a director in China Stem Cells (East) Company Limited. China Stem Cells (East) Company Limited holds shares in the Company through ANZ Nominees. As of 1 April 2010, Mr Kam has resigned from his position as director of China Stem Cells (East) Company Limited.

25. Key management personnel disclosures (cont'd)

	Balance at 1/7/2008	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30/6/2009
	No.	No.	No.	No.	No.
Directors:					
Kam Yuen	–	–	–	17,525,000*	17,525,000
Steven Fang	6,354,960	–	210,000	–	6,564,960
Jeremy Yee	454,368	–	199,999	–	654,367
Seow Bao Shuen	11,819,448	–	–	–	11,819,448
Samuel Kong	–	–	–	–	–
Mark Ryan	–	–	26,666	38,567#	65,233
Voiron Chor	–	–	–	–	–
Christopher Fullerton	3,000,000	–	–	(3,000,000)+	–
Peter Roberts	60,000	–	–	(60,000)+	–
Executives:					
Susan Kheng	490,304	–	83,334	–	573,638
Simon Hoo	33,334	–	33,333	–	66,667
Jonathan Liau@	–	–	33,333	33,334#	66,667
Gwendolene Yeo	44,598	–	33,333	–	77,931
Emily Cheung@	–	–	25,000	25,000#	50,000
Simon Lee	570,621	–	–	(570,621)^	–
Sher Min Gaspar	235,251	–	–	(235,251)^	–
	23,062,884	–	644,998	13,756,029	37,463,911

* Mr Kam had 11,730,000 ordinary shares prior to his appointment as KMP, 5,795,000 ordinary shares were acquired during his term as a KMP. Shares were purchased on-market and at the prevailing market share price.

Ordinary shares held prior to appointment as KMP

^ Ceased to be a KMP on 1 October 2008 due to changes in roles and responsibilities

+ Ceased to be a KMP due to resignation on 12 February 2009

@ Jonathan Liau and Emily Cheung met the definition of key management personnel on 1 October 2008

25. Key management personnel disclosures (cont'd)

Option holdings of key management personnel

30 June 2010	Balance at beginning of period 1 Jul 2009	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 Jun 2010	Vested at 30 June 2010 Total	Exercisable	Not exercisable
Executive Directors								
Steven Fang	165,000	–	(165,000)	–	–	–	–	–
Jeremy Yee	166,666	–	(166,666)	–	–	–	–	–
Other key management personnel								
Susan Kheng	83,334	–	(40,000)	–	43,334	43,334	43,334	–
Simon Hoo	33,333	–	–	(33,333)@	–	–	–	–
Simon Lee	–	–	(83,334)	83,334#	–	–	–	–
Gwendolene Yeo	33,333	–	–	–	33,333	33,333	33,333	–
Jonathan Liau	33,333	–	(33,333)	–	–	–	–	–
Emily Cheung	25,000	–	–	–	25,000	25,000	25,000	–
Total	539,999	–	(488,333)	50,001	101,667	101,667	101,667	–

30 June 2009	Balance at beginning of period 1 Jul 2008	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 Jun 2009	Vested at 30 June 2009 Total	Exercisable	Not exercisable
Non-executive Directors								
Mark Ryan	–	–	(26,666)	26,666^	–	–	–	–
Executive Directors								
Steven Fang	375,000	–	(210,000)	–	165,000	165,000	165,000	–
Jeremy Yee	366,665	–	(199,999)	–	166,666	166,666	166,666	–
Other key management personnel								
Susan Kheng	166,668	–	(83,334)	–	83,334	83,334	83,334	–
Simon Lee	166,669	–	–	(166,669)*	–	–	–	–
Shermin Gaspar	33,334	–	–	(33,334)*	–	–	–	–
Simon Hoo	66,666	–	(33,333)	–	33,333	33,333	33,333	–
Gwendolene Yeo	66,666	–	(33,333)	–	33,333	33,333	33,333	–
Jonathan Liau	–	–	(33,333)	66,666#	33,333	33,333	33,333	–
Emily Cheung	–	–	(25,000)	50,000#	25,000	25,000	25,000	–
Total	1,241,668	–	(644,998)	(56,671)	539,999	539,999	539,999	–

* Ceased to be a KMP from 1 October 2008
@ Ceased to be a KMP from 1 July 2009
# Option holdings prior to appointment as KMP
^ Option holdings held directly and via a related party prior to appointment as non-executive director

26. Events after the reporting date

Renounceable Rights Issue Offer

On 19 July 2010, the Company completed its rights issue offer and raised a total of A$ 6,016,146. Shareholders subscribed for 18,800,458 ordinary shares at 32 cents per share under the offer. The new shares have been allotted and issued on 26 July 2010.

27. Notes to the statement of cash flows

	2010	2009
	$'000	$'000
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	5,452	6,609
Short-term deposits	3,089	1,369
Bank overdraft	(699)	(919)
Cash and cash equivalents	7,842	7,059

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 represent fair value.

	2010	2009
(b) Financing facilities		
Secured bank overdraft facility of SGD500,000, reviewed annually and payable at call:		
- Amount used	–	–
- Amount unused	418	428
$1,670,000 secured bank overdraft facility:		
- Amount used	699	919
- Amount unused	971	791

27. Notes to the statement of cash flows (cont'd)

(c) Reconciliation of net profit for the year after related income tax to net cash flows from operating activities:

	2010	2009
	$'000	$'000
Net profit for the year	2,354	4,494
Depreciation and amortisation of non-current assets	664	633
Share of (profit)/ loss of associate company	(466)	8
Write-off of goodwill	–	243
Write-down of investment in associates	–	122
Impairment loss on available-for-sale investment	–	231
Share-based payment expense	–	342
Exchange differences	(12)	(423)
Increase in assets:		
Receivables	(2,527)	(9,717)
Inventories	(43)	(149)
Increase in liabilities:		
Payables	1,681	4,856
Net cash generated from operating activities	1,651	640

28. Remuneration of auditors

	2010	2009
	$	$
The auditor of Cordlife Ltd is Ernst & 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	75,000	65,000
	75,000	65,000
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	171,500	160,160
Tax compliance services	13,736	15,668
Tax advisory services	36,360	29,925
Professional training services	83,224	18,540
Transaction advisory services	45,652	–
	350,472	224,293
	425,472	289,293
Amounts received or due and receivable by non Ernst & Young audit firms for:		
Audit of financial report and tax services	5,777	19,292

29. 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 (2009: nil).

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 20 September 2010

Number of holders of equity securities

Ordinary share capital

127,817,054 fully paid ordinary shares are held by 482 individual shareholders.

All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities

			Fully paid ordinary shares
1	-	1,000	26
1,001	-	5,000	159
5,001	-	10,000	82
10,001	-	100,000	153
100,001 and over			62
			482
Holding less than a marketable parcel			31

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
-	

Substantial shareholders	Fully paid	
Ordinary shareholders	**Number**	**Percentage**
HSBC Custody Nominees (Australia) Limited	35,001,493	27.38%
Citicorp Nominees Pty Limited	13,933,250	10.90%
Victorworth Pty Ltd	10,000,000	7.82%
	58,934,743	46.11%

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 20 September 2010

Twenty largest holders of quoted equity securities			
		Fully paid	
Ordinary shareholders		Number	Percentage
1)	HSBC Custody Nominees (Australia) Limited	35,001,493	27.38%
2)	Citicorp Nominees Pty Limited	13,933,250	10.90%
3)	Victorworth Pty Ltd	10,000,000	7.82%
4)	JP Morgan Nominees Australia Limited	9,650,544	7.55%
5)	Victorworth Pty Ltd	6,199,859	4.85%
6)	Equitas Nominees Pty Limited	3,707,900	2.90%
7)	ANZ Nominees Limited	3,660,065	2.86%
8)	UOB Kay Hian (Hong Kong) Limited	3,002,919	2.35%
9)	CIMB Securities (Singapore) Pte Ltd	2,827,765	2.21%
10)	HSBC Custody Nominees (Australia) Limited - A/C 3	2,740,244	2.14%
11)	Tantalum Cellular Products LLC	2,566,972	2.01%
12)	Equitas Nominees Pty Limited	2,500,000	1.96%
13)	ABN Amro Clearing Sydney Nominees Pty Limited	2,212,490	1.73%
14)	NEFCO Nominees Pty Ltd	2,209,041	1.73%
15)	BS Fund Management Pte Ltd	2,000,000	1.56%
16)	Gold Baxter International Ltd	1,259,072	0.99%
17)	Tiong Aik Corporation Pte Ltd	1,230,514	0.96%
18)	UOB Kay Hian Private Limited	1,063,319	0.83%
19)	National Nominees Limited	911,694	0.71%
20)	Christopher Ho	909,711	0.71%

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 20 September 2010

Company secretary

Mr Andrew Lord
Lord Commercial Lawyers
Level 5, 190 Queen Street
Melbourne, Victoria 3000
Australia
Tel: +61 (0) 3 9600 0162

Registered office and Principal administration office

Level 5, 190 Queen Street
Melbourne, Victoria 3000
Australia
Tel: +61 (0) 3 9600 0162

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.

Copy Editing + Design
ArtNexus Design Pte Ltd

cordlife

one chance, one choice.

Registered Office:
Level 5, 190 Queen Street,
Melbourne, Victoria 3000
Australia
Tel: +61 (0) 3 9600 0162

Head Office:
61 Science Park Road, #06-05
The Galen, Singapore Science Park II
Singapore 117525
Tel: +65 6295 0080