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14 August 2007

PRELIMINARY FINAL REPORT (APPENDIX 4E) (AUDITED)
FINANCIAL YEAR ENDED 30 JUNE 2007

No. of Pages: 101

In accordance with Listing Rule 4.3A, we enclose the Preliminary Final Report (Appendix 4E) (audited) on the consolidated results of Circadian Technologies Limited ('Circadian' or 'Group') for the year ended 30 June 2007.

During the year ended 30 June 2007, Circadian's main focus was the establishment and development of the collaboration with the New York based Ludwig Institute for Cancer Research (Ludwig) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia) with the formation of a new company, Vegenics Limited (Vegenics). The Group also further progressed its various research projects in the areas of cancer and neuroscience and it crystalised a total gain of $27.7 million on the disposal of some of its listed biotech holdings.

Key Financials

- The consolidated net profit of the Group for the year was $6,295,707 after an income tax expense of $5,722,746 (2006: loss of $6,515,401 after an income tax expense of $340,093).
- The net tangible asset backing per share as at 30 June 2007 was $1.52.
- Consolidated cash reserves as at 30 June 2007 amounted to $48,193,383.
- The combined market value of the Group's shareholdings in listed investments as at 30 June 2007 was $19,714,398 (2006: $42,734,606). Since the end of the prior year the Group has disposed of shares in Zenyth Therapeutics Limited, Metabolic Pharmaceuticals Limited and Avexa Limited providing it with total sales proceeds of $46,519,816 with a total realised gain of $27,679,172 (further details provided below).
- Basic earnings per share: earnings of 27.92 cents (2006: loss of 16.13 cents).
- All research and development costs have been expensed during the year.
- Acquisition of intellectual property of $7,899,850 by Vegenics has been fully expensed during the year (acquired from Ludwig, Licentia and CoGenesys – these are non-recurring).

The current year result reflects the following key events/items (all amounts are pre-tax):

- Realisation of gains on disposal of listed holdings:
  - the acquisition by CSL Limited of Zenyth Therapeutics Limited by a scheme of arrangement. The Group recognised a gain of $7,548,983 on the disposal of its holding in Zenyth and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 – resulting in a total gain of $12,623,847;
  - a gain of $8,285,760 on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited (the Group's remaining holding is 36,012,701 ordinary shares); and
  - a gain of $6,769,565 on the disposal of 22,489,836 ordinary shares in Avexa Limited which includes the recoupment of impairment losses recognised in retained earnings to 30 June 2005 of $410,910 (the Group's remaining holding is 13,667,914 ordinary shares).

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- Vegenics Limited – major cancer therapeutics development collaboration, key licensing deals and intellectual property costs:
    - In July 2006, Circadian formed a collaboration (through the entity Vegenics Limited) with the Ludwig Institute for Cancer Research (Ludwig) and Licentia Limited, the commercial arm of the University of Helsinki, with Circadian having a 50% interest and control on the payment of $4 million in subscription monies. Subsequent to the formation of Vegenics, Circadian contributed an additional $17.5 million capital into that company. This new equity into Vegenics satisfied the requirements of the relevant License and Shareholders Agreements under the collaboration and gave effect to the assignment to Vegenics of Ludwig's and Licentia's patent estates in respect of molecules known as vascular endothelial growth factors (VEGF). In addition, six existing licenses granted by Ludwig to its licensees have now been novated to Vegenics with the rights and obligations transferred to Vegenics. Circadian's interest in Vegenics is currently 67%.
    - Vegenics' results include:
        - The license fees incurred with respect to the license agreement with CoGenesys Inc (patents licensed to Vegenics) of $2,631,925 being fully expensed although the rights provided under that agreement are available to Vegenics until the relevant patents expire; and an amount paid to CoGenesys of $1,267,925 relating to the acquisition of certain rights to Cambridge Antibody Technologies plc human monoclonal antibodies that target VEGF-C.
        - The expensing of the intellectual property relating to VEGF under the agreement between Vegenics, Ludwig and Licentia amounting to $4 million. The granted patents for the various IP estates assigned to Vegenics expire at various dates between 2015 and 2022.
        - Patent costs incurred by Vegenics for the period amounted to $1,848,966. Further information with respect to Vegenics is provided in the Review of Operations Report contained in the attached Appendix 4E.
- Research and development expenditure of $3,137,922 being an increase of $2,057,625 as compared to the year ended 30 June 2006 (this includes research and development costs incurred by Vegenics relating to cancer therapeutics projects of $1,162,138); and
- An expense amount of $988,570 being the Group's share of the losses of Antisense Therapeutics Limited for the year ended 30 June 2007 as required under equity accounting (2006: $1.5 million).

Expenses incurred in the previous year which were not incurred in the current year include an impairment loss on a loan to associate Syngene Limited of $544,987 (reflecting research and development expenses) and costs of approximately $538,000 (including due diligence costs) relating to forming a research collaboration with Ludwig and Licentia (as detailed above and in the Review of Operations Report). Further details regarding the Group's other research and development projects are provided in the Review of Operations Report contained in the Appendix 4E.

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Highlights
(to be read in conjunction with the Review of Operations Report contained in the Appendix 4E attached):

R&D Projects and Circadian's listings

The summary below, with respect to Circadian's listed holdings, is taken from each company's ASX announcements. To form a view on the operations and performance of these companies, their announcements should be read in full together with information available on their websites.

- ***Vegenics Limited (Circadian's interest: 67%)***
  The objective of the collaboration with Ludwig and Licentia, which was effective July 2006, is to develop and commercialise the intellectual property and technology of Ludwig and Licentia in respect of molecules known as vascular endothelial growth factors (VEGF). Vegenics is initially focussing on developing peptide and antibody antagonists to two forms of VEGF (VEGF-C and VEGF-D) as anti-tumour agents. Ludwig and Licentia have developed an extensive VEGF patent portfolio, comprising more than 160 granted patents in USA, Europe, Japan and Australia and over 500 pending patent applications worldwide. With the completion during the year of an additional capital raising (Circadian has now contributed a total of $21.5 million into Vegenics), this patent portfolio has been assigned to Vegenics. Also the various licences granted by Ludwig to its licensees including Ark Therapeutics Group plc (LSE: AKT) and Imclone Systems Inc (NASDAQ: IMCL) have now been novated to Vegenics together with several other existing licence agreements. Circadian currently owns 67% of Vegenics and 33% is owned by Ludwig and Licentia.

  On 22 August 2006, Vegenics announced that it had signed an agreement with USA-based CoGenesys Inc. The agreement provides Vegenics with further rights to intellectual property in the field of the vascular endothelial growth factor, VEGF-C. Under the agreement, Vegenics also obtained an option to develop an existing VEGF-C antibody developed by CoGenesys in collaboration with Cambridge Antibody Technologies plc, which was exercised during the year to acquire the relevant rights.

  On 22 May 2007, Ark Therapeutics (LSE: AKT), licensee of Vegenics, announced that it had been given clearance by the US Recombinant DNA Advisory Committee for its planned Phase 3 US clinical study of Trinam® (a novel gene therapy product which utilises technology licensed from Vegenics). Ark Therapeutics expects this trial to commence in the second half of 2007. For further information see Ark Therapeutics' website: http://www.arktherapeutics.com.

  On 29 June 2007, Vegenics Limited and SienaGen srl announced that they had entered into a binding letter of intent to create a new US company, Kappa Life Sciences Inc, focused on the development of orthopaedic applications of recombinant VEGF-D. Vegenics will provide a worldwide license to SienaGen of its intellectual property covering VEGF-D protein in the field of orthopaedic disease therapeutics, and SienaGen will grant to Vegenics an exclusive licence to its intellectual property in respect of VEGF-D for all other applications.

- ***Cancer vaccines project (Circadian's interest: 50%)***
  This project aims to develop novel immunising agents with potential application in the development of vaccines against cancer, building on original work carried out at Monash University and the University of Melbourne. The second phase of the project, demonstration of "proof of concept" using a known antigen, is proceeding on schedule for completion in Q4 of 2007.

  In July 2006, the Australian Research Council announced the award of a $671,000 Linkage Grant to support the project. The additional funding will supplement the Circadian funding of $1.2 million to accelerate the project and to increase its scope to a broader range of antigens.

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- ***Dicarba Analogues Project (Circadian's interest: 50%)***
  This project is based on a novel technology for the development of stable peptides as therapeutic agents. The project builds on work carried out by a team at Monash University which is developing a method of replacing internal molecular linkages known as disulphide bonds with more stable carbon bonds, in a highly specific fashion.

  Initial work has been completed on modified conotoxins, and further experimental work is in progress to demonstrate the utility of the technology in several other classes of potential therapeutic peptide molecules.

- ***Metabolic Pharmaceuticals Limited (Circadian interest: 12%)***
  In February 2007, Metabolic announced that the results of its Phase 2b clinical trial of its obesity drug AOD9604 did not support further clinical development and that the program had been terminated. The company stated that it will focus on its other projects, including ACV1 for neuropathic pain and AOD9604 for osteoporosis, as well as extending the application of its Oral Peptide Delivery Platform to other drugs.

  Metabolic commenced a Phase 2a trial of ACV1 in September 2006 to examine the effects in patients with neuropathic sciatic pain and in July 2007 Metabolic advised that this trial has been completed and that the data from the trial are being analysed and interpreted with a full report expected to be made public by mid-August 2007. In addition to this trial, Metabolic commenced a second Phase 2a human clinical trial to investigate safety and tolerability in patients with two additional types of neuropathic pain, diabetic neuropathic pain and post-herpetic neuralgia.
  (ASX: MBP; website: www.metabolic.com.au)

- ***Antisense Therapeutics Limited (Circadian's direct and indirect interest: 24%)***
  Antisense Therapeutics is developing a second-generation antisense inhibitor of VLA-4, for treatment of Multiple Sclerosis (MS). Dosing in the 80 patient Phase 2 trial commenced in June 2006, and in June 2007 Antisense Therapeutics announced that 40 patients had been enrolled. Antisense Therapeutics has previously advised that they anticipate the results should be reported in the 4th quarter of 2007.
  (ASX: ANP; website: www.antisense.com.au)

- ***Optiscan Imaging Limited (Circadian interest: 6%)***
  The Optiscan flexible endo-microscope is a miniaturised confocal microscope designed to be deployed inside the body for diagnosis and monitoring of diseases such as colon cancer or ulcerative colitis. The product has been jointly developed with Pentax, who has exclusive rights to the use of the technology in the field of flexible endoscopy.

  In June 2007, Optiscan reported that it had executed a new Development Agreement with Pentax whereby Pentax has committed up to an additional $7 million for further developments in endomicroscopy and to obtain additional insurance reimbursement for endomicroscopic procedures in major markets of Europe and USA.

  In July 2007, Optiscan announced that it had signed a collaboration deal with the Carl Zeiss Group in the field of rigid endoscopes. The Carl Zeiss Group will secure exclusive use of Optiscan technology for clinical rigid endo-microscope applications in their core market segments, and will fund market development and sales of "ZEISS" branded instruments produced by Optiscan. Optiscan retains rights to separately commercialise other segments of the rigid endo-microscope market. The total value of the agreement to Optiscan in milestone payments and product sales is up to $20 million over the initial five years.
  (ASX: OIL; website: www.optiscan.com)

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- ***Zenyth Therapeutics Limited (formerly Amrad Corporation Limited)***
  Circadian previously owned 22.6% of Zenyth Therapeutics Limited, a drug discovery and development company based in Melbourne.

  In November 2006, CSL Limited (Australia's largest biopharmaceutical company) and Zenyth completed a merger under which CSL acquired 100% of the issued shares in Zenyth. The consideration offered by CSL comprised 82 cents cash per Zenyth share and a pro-rata capital return to Zenyth shareholders of all Zenyth's shareholding in Avexa Limited.

- ***Avexa Limited (Circadian interest: 3%)***
  Avexa was formed by the demerging and listing of the anti-infectives business from Zenyth Therapeutics in July 2004. Avexa's principal research programs focus on the discovery of treatments for diseases caused by human immunodeficiency virus (HIV) and vancomycin- and methicillin-resistant bacteria.

  Avexa is developing apricitabine (a nucleoside reverse transcriptase inhibitor licensed from Shire Pharmaceuticals Group plc). It is currently in Phase 2b human clinical trials for treatment of drug-resistant HIV. In March 2007, Avexa reported successful results from the 21 day dosing program in this trial, with the company expecting to announce 24 week data results in the third quarter of 2007. Avexa is aiming to initiate sites for the Phase 3 trial in the fourth quarter of 2007.

  In January 2007, Avexa announced that it had exclusively licensed North American rights to apricitabine from Shire Pharmaceuticals for an upfront payment of US$10 million plus an additional 8 million escrowed shares in Avexa, with the license deal also including undisclosed milestones and royalties.
  (ASX: AVX; website: www.avexa.com.au)

For further details regarding Circadian's projects and technology holdings refer to the Review of Operations Report included in the Appendix 4E attached. For further information regarding the progress of Circadian's listed technology holdings, see their respective public announcements which can be found on their websites, as detailed above, and on www.asx.com.au.

Circadian's Holdings in Listed Companies and Cash

As at close of trading on 13 August 2007, the value of Circadian's listed holdings and net cash was as follows:

Holdings and Cash	**Shareholding %**	**Portfolio Value**	
		$'000	**$ per Circadian share**
Metabolic Pharmaceuticals Ltd	12.0	4,141	0.10
Optiscan Imaging Ltd	6.2	2,654	0.07
Antisense Therapeutics Ltd¶	23.6	4,403	0.11
Avexa Limited	3.4	7,176	0.18
Vegenics – Circadian's share of cash		10,402	0.26
Cash		30,384	0.76
Total		**59,160**	**1.48**

¶ Includes direct and indirect interests

The market value of Circadian's listed share portfolio as at 13 August 2007 and cash is $59.2 million, equating to $1.48 per Circadian share.

This letter and the attached Appendix 4E Preliminary Final Report form part of this announcement to the Australian Stock Exchange Limited.

Yours faithfully
Circadian Technologies Limited

Natalie Korchev
Company Secretary

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APPENDIX 4E

Preliminary final report

Name of entity:	**CIRCADIAN TECHNOLOGIES LIMITED**
ABN:	**32 006 340 567**
Reporting period:	**FINANCIAL YEAR ENDED 30 JUNE 2007**
Previous corresponding period:	FINANCIAL YEAR ENDED 30 JUNE 2006

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2. Commentary on Results
3. Directors' Report
4. Review of Operations Report
5. Financial Report
6. Other Information

Note: The financial figures provided are in **actual** Australian dollars, unless specified otherwise.

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The consolidated results of Circadian Technologies Limited for the year ended 30 June 2007 are as follow:

Revenues and Results from Ordinary Activities:		**Change compared to 2006 %**		**2007 $**
Revenues from ordinary activities	Up	2,565	to	29,885,887
Profit from ordinary activities after tax attributable to members				11,203,382
Profit for the year attributable to members				11,203,382
Note: The percentage changes for the profit (loss) comparative have not been provided as the Group has moved from a loss position in the 2006 financial year to a profit position in the 2007 financial year.				

An explanation of the figures reported above are contained in the 'Commentary on Results' section of this report.

Net profit/(loss) for the year:

For details relating to the current year's results, refer to the section headed 'Commentary on Results' in this report.

Shareholder Distributions

No dividends have been paid or declared by the entity since the beginning of the current reporting period.

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COMMENTARY ON RESULTS

As communicated in the cover letter to this Appendix 4E:

Key Financials

- The consolidated net profit of the Group for the year was $6,295,707 after an income tax expense of $5,722,746 (2006: loss of $6,515,401 after an income tax expense of $340,093).
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The current year result reflects the following key events/items (all amounts are pre-tax):

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  In the previous corresponding period there were no disposals of the Group's listed holdings.

- Vegenics Limited – major cancer therapeutics development collaboration, key licensing deals and intellectual property costs:
  - As reported in the Review of Operations Report, in July 2006 Circadian formed a collaboration (through the entity Vegenics Limited) with the Ludwig Institute for Cancer Research (Ludwig) and Licentia Limited, the commercial arm of the University of Helsinki, with Circadian having a 50% interest and control on the payment of $4 million in subscription monies. Subsequent to the formation of Vegenics, Circadian contributed an additional $17.5 million capital into that company. This new equity into Vegenics satisfied the requirements of the relevant License and Shareholders Agreements under the collaboration and gave effect to the assignment to Vegenics of Ludwig's and Licentia's patent estates in respect of molecules known as vascular endothelial growth factors (VEGF). In addition, six existing licenses granted by Ludwig to its licensees have now been novated to Vegenics with the rights and obligations transferred to Vegenics. Circadian's interest in Vegenics is currently 67%.

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- Vegenics' results include:
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  - The expensing of the intellectual property relating to VEGF under the agreement between Vegenics, Ludwig and Licentia amounting to $4 million. The granted patents for the various IP estates assigned to Vegenics expire at various dates between 2015 and 2022.
  - Patent costs incurred by Vegenics for the period amounted to $1,848,966. Further information with respect to Vegenics is provided in the Review of Operations Report.
- Research and development expenditure of $3,137,922 being an increase of $2,057,625 as compared to the year ended 30 June 2006 (this includes research and development costs incurred by Vegenics relating to cancer therapeutics projects of $1,162,138); and
- An expense amount of $988,570 being Circadian's share of the losses of Antisense Therapeutics Limited for the year ended 30 June 2007 as required under equity accounting (2006: $1.5 million).

Expenses incurred in the previous year which were not incurred in the current year include an impairment loss on a loan to associate Syngene Limited of $544,987 (reflecting research and development expenses) and costs of approximately $538,000 (including due diligence costs) relating to forming a research collaboration with Ludwig and Licentia (as detailed above and in the Review of Operations Report). Further details regarding the Group's other research and development projects are provided in the Review of Operations Report contained within this report.

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CIRCADIAN TECHNOLOGIES LIMITED (ACN 006 340 567)
AND CONTROLLED ENTITIES

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2007

The Directors (Board) of Circadian Technologies Limited (Circadian or Company) have pleasure in submitting their report for the year ended 30 June 2007.

DIRECTORS

The names and qualifications of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dominique Fisher, BA (Hons), MAICD (Non-Executive Chairman)
Leon Serry, FCIS, CPA (Managing Director)
Graeme R Kaufman, MBA, BSc (Executive Director)
Dr John Stocker, AO, MB, BS, BMedSc, PhD, FTS, FRACP (Non-Executive Director)
James A C MacKenzie, BBus, FCA, FAICD (Non-Executive Director)
Donald Clarke, LLB (Hons) (Non-Executive Director)

The experience and special responsibilities of the Company's Directors are as follows:

Dominique Fisher
Dominique Fisher was appointed a Non-Executive Director of Circadian in September 2005. She became Chairman of the Board in the subsequent month and is a member of the Company's Audit Committee. She has extensive business experience in the corporate area including the commercialisation of new technologies. Ms Fisher is Principal and Executive Director of EC Strategies Pty Ltd, which advises local and offshore companies on technology strategies and major commercial transactions. She is Chairman of Sky Technologies Pty Ltd, Executive Chairman of WebAlive Pty Ltd and Director of a major development company, Leakes Rd Rockbank Pty Ltd, a Mirvac joint venture. Ms Fisher is also a Councilor of the Australia Council of the Arts, is Chairman of its Dance Board and is a member of the Prostate Cancer Foundation. Her past appointments have included NRMA, the Malthouse Theatre, and member of the ICT Advisory Board, advising the Federal Government on key issues affecting the development of the information technology and communications sector. She was also a Non-Executive Director of Insurance Australia Group Limited (IAG) from 2000 to 2004. In March 2007 Ms Fisher was appointed a Non-Executive Director of Pacific Brands Limited.

Leon Serry
Leon Serry, who is the founding Managing Director of the Company, is a Fellow of the Chartered Institute of Secretaries (FCIS) and holds CPA status. Mr Serry was employed by Nicholas Proprietary Limited and was Company Secretary of the Leighton Family Group of Companies. He was Company Secretary of Paterson Reid & Bruce Limited during the 1970s, being appointed to that position through Ralli Brothers Bankers Limited of the UK. Mr Serry has been successful in a wide range of commercial activities. He is also Chairman of Vegenics Limited (67% owned by Circadian). Other than holding an executive directorship with Circadian Technologies, Mr Serry has not held any other listed public directorships in the past three years.

Graeme R Kaufman
Graeme Kaufman joined Circadian in July 2001 as Projects and Licensing Manager and was appointed Executive Director of Circadian on 29 January 2002. Mr Kaufman has had over 30 years experience with CSL Limited. While at CSL he held various positions including General Manager, Biosciences Division (1994 to 1999), Finance Director (1987 to 1994) and Manufacturing Manager (1984 to 1987). Mr Kaufman is also Managing Director of Syngene Limited (42% owned by Circadian), CancerProbe Pty Ltd (60% owned by Circadian) and Director of Vegenics Limited (67% owned by Circadian). In addition to his directorship with Circadian Technologies, Mr Kaufman also held a non-executive directorship with listed company Zenyth Therapeutics Limited (formerly Amrad Corporation Limited) from July 2003 to April 2005.

John Stocker
Dr John Stocker was appointed as a Non-Executive Director of Circadian in May 1996 and is the Chairman of the Company's Science Committee and a member of the Remuneration Committee. He was the Commonwealth Government Chief Scientist and was Chief Executive of CSIRO. On 3 July 2007, Dr Stocker was appointed as Chairman to the Board of CSIRO. He is also a Principal of Foursight Associates Pty Ltd and holds or held directorships in the following listed companies during the past three years:

Telstra Corporation Limited (Director since 1996)
Nufarm Limited (Director since 1998)
Sigma Pharmaceuticals Ltd (Director since December 2005)
Cambridge Antibody Technology Consolidated Entity Plc (March 1995 to June 2006)

James A C MacKenzie
James MacKenzie, a Non-Executive Director of Circadian since July 2002, is Chairman of the Company's Audit Committee and is a member of the Remuneration Committee. Mr MacKenzie has previously held the positions of Managing Director, Funds Management and Insurance at the ANZ Banking Group, Chief Executive Officer of Norwich Union Australia and the Transport Accident Commission. A Chartered Accountant by profession, Mr MacKenzie was also a Partner in the Melbourne and Hong Kong offices of an international accounting firm now part of Deloitte, and he remains involved with Deloitte as a consultant. He is currently Chairman of Mirvac Group and the Victorian Transport Accident Commission and is a Director of the Victorian WorkCover Authority. Mr MacKenzie also currently holds or held directorships in the following listed companies during the past three years:

Mirvac Group (Director since January 2005, Chairman since November 2005)
Strategic Pooled Development Ltd (Director since November 2005)
Bravura Solutions Ltd (Director since April 2006)
Zenyth Therapeutics Ltd (Director from April 2005 to November 2006)
MedAire Inc (Director from May 2004 to July 2005)
James Fielding Group (Director from May 2001 to January 2005)
Child Care Centres of Australia Ltd (Director from August 2002 to July 2004)

Donald Clarke
Don Clarke was appointed a Non-Executive Director of Circadian in September 2005 and is Chairman of the Remuneration Committee. He has been a partner with the law firm Minter Ellison since 1988, having joined that firm in 1980. His principal areas of practice include capital raisings, corporate restructures, business acquisitions and funding for business expansions and new ventures. Mr Clarke has a broad commercial practice, involving predominantly ASX listed companies, across a diverse range of industries and business sectors, including manufacturing, transport, biotechnology, information technology and communications. In April 2007, Don Clarke was appointed as a Non-Executive Director of listed company Metabolic Pharmaceuticals Limited.

COMPANY SECRETARY
Natalie Korchev B.Com, ACA
Natalie Korchev has been Company Secretary of Circadian Technologies Limited for seven years. Prior to holding this position she was a senior audit manager with an international accounting firm now part of Ernst & Young. She has been a Chartered Accountant for 16 years. Ms Korchev is also Company Secretary for Syngene Limited (42% owned by Circadian), CancerProbe Pty Ltd (60% owned by Circadian), Vegenics Limited (67% owned by Circadian) and was Company Secretary of Antisense Therapeutics Limited from November 2000 up until June 2006.

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EXECUTIVE MANAGEMENT
The executive management of Circadian and its controlled entities are presented below:

Leon Serry, Managing Director
Graeme Kaufman, Executive Director
Natalie Korchev, Company Secretary & Chief Financial Officer
Robert Klupacs, Manager Strategic Development, Circadian; Managing Director, Vegenics Limited

The qualifications and experience of Leon Serry, Graeme Kaufman and Natalie Korchev have been provided above.

Robert Klupacs BSc(Hons), Grad Dip IP Law
Robert Klupacs, has been an executive of Circadian Technologies Limited since August 2005 and is Managing Director of Vegenics Limited (67% owned by Circadian). He is a registered Australian patent attorney and has been involved in the biotechnology industry for over 18 years. Prior to his position at Circadian, Mr Klupacs was CEO of ES Cell International Pte Ltd (ESI), a pioneering company in the development of human embryonic stem cell technologies based in Singapore. Prior to his role at ESI, he spent two and a half years running the Monash Institute of Reproduction and Development (MIRD) in Melbourne as its Chief Operating Officer and was employed for over 11 years by Zenyth Therapeutics Limited (formerly Amrad Corporation Ltd) with the last four years in that company as a member of the executive team and Director of Intellectual Property.

DIRECTORS' INTERESTS
At the date of this report, the interests of each director of the Company in the contributed equity, share options and performance rights of the Company are as follows:

	Number of shares held directly	Number of shares held indirectly	Number of options over ordinary shares	Number of performance rights over ordinary shares
Dominique Fisher	-	17,500	-	-
Leon Serry	62,668	2,037,332	1,250,000	128,110
Graeme Kaufman	28,500	-	750,000	68,652
John Stocker	282,334	-	-	-
James MacKenzie	-	-	-	-
Don Clarke	-	60,000	-	-

SHARE OPTIONS AND PERFORMANCE RIGHTS

Unissued Shares
At the date of this report, details of Circadian Technologies Limited's unissued ordinary shares or interests under option and performance rights are as follows:

Options:			
Number of shares under option	800,000	1,900,000	120,000
Exercise prices	$2.62 - $3.12	$1.50	$1.50
Vesting date	25/9/2003*	8/2/2011^	9/3/2011^
Expiry date	25/9/2008	8/2/2012	9/3/2012

* These options vest in various proportions from 25/9/2003 (as detailed in note 29 of the financial statements) and fully vest on 25/9/2006.

^ These dates are the first exercise date if the options vest. The vesting dates are the dates when share price hurdles are met for each of the three tranches of options granted which are $1.875, $2.25 and $2.625 (see the Remuneration Report for further details). The Company's share price at 30 June 2007 was $1.28.

Performance rights:	
Number of shares under performance rights	257,337
Exercise price	$Nil
Vesting date	30/6/2008
Expiry date	30/6/2015

Refer to the section in this report headed Remuneration Report for details on the terms and conditions of the options granted under the Company's option plans and the performance rights granted under the Performance Rights Plan.

During the financial year there were no options or performance rights exercised.

DIRECTOR'S INTERESTS IN CONTRACTS

As at 30 June 2007 and as at the date of this report, no director has an interest in any contract or proposed contract with Circadian or its controlled entities other than as disclosed in the Company's annual report.

DIVIDENDS

No cash dividends have been paid, declared or recommended during or since the end of the financial year by the Company.

PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

Circadian Technologies Limited and its controlled entities (the Group) aim to deliver value to its shareholders through sourcing, incubating and commercialising high quality biomedical research. The Group's activities include the management and funding of pharmaceutical research and development projects with universities and research institutes to the stage where the Group seeks collaborative and/or licensing arrangements with pharmaceutical companies or lists a project/projects in a separate entity on the Australian Stock Exchange. The Group's activities also include investment in leading edge Australian technology entities (listed and unlisted).

OPERATING AND FINANCIAL REVIEW

Results

- The consolidated net profit of the Group for the year was $6,295,707 after an income tax expense of $5,722,746 (2006: loss of $6,515,401 after an income tax expense of $340,093).
- The net tangible asset backing per share as at 30 June 2007 was $1.52.
- Consolidated cash reserves as at 30 June 2007 amounted to $48,193,383.
- The combined market value of Group's shareholdings in listed investments as at 30 June 2007 was $19,714,398 (2006: $42,734,606). Since the end of the prior year, the Group has disposed of shares in Zenyth Therapeutics Limited, Metabolic Pharmaceuticals Limited and Avexa Limited providing it with total sales proceeds of $46,519,816 with a total realised gain of $27,679,172 (further details provided below).
- Basic earnings per share: earnings of 27.92 cents (2006: loss of 16.13 cents).
- All research and development costs have been expensed during the year.
- Acquisition of intellectual property of $7,899,850 by Vegenics has been fully expensed during the year (acquired from Ludwig, Licentia and CoGenesys – these are non-recurring).

The current year result reflects the following key events/items (all amounts are pre-tax):

- Realisation of gains on disposal of listed holdings:
  - the acquisition by CSL Limited of Zenyth Therapeutics Limited by a scheme of arrangement. The Group recognised a gain of $7,548,983 on the disposal of its holding in Zenyth and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 – resulting in a total gain of $12,623,847;
  - a gain of $8,285,760 on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited (the Group's remaining holding is 36,012,701 ordinary shares); and
  - a gain of $6,769,565 on the disposal of 22,489,836 ordinary shares in Avexa Limited which includes the recoupment of impairment losses recognised in retained earnings to 30 June 2005 of $410,910 (the Group's remaining holding is 13,667,914 ordinary shares).

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- Vegenics Limited – major cancer therapeutics development collaboration, key licensing deals and intellectual property costs:
    - As reported in the Review of Operations Report, in July 2006 Circadian formed a collaboration (through the entity Vegenics Limited) with the Ludwig Institute for Cancer Research (Ludwig) and Licentia Limited, the commercial arm of the University of Helsinki, with Circadian having a 50% interest and control on the payment of $4 million in subscription monies. Subsequent to the formation of Vegenics, Circadian contributed an additional $17.5 million capital into that company. This new equity into Vegenics satisfied the requirements of the relevant License and Shareholders Agreements under the collaboration and gave effect to the assignment to Vegenics of Ludwig's and Licentia's patent estates in respect of molecules known as vascular endothelial growth factors (VEGF). In addition, six existing licenses granted by Ludwig to its licensees have now been novated to Vegenics with the rights and obligations transferred to Vegenics. Circadian's interest in Vegenics is currently 67%.
    - Vegenics' results include:
        - The license fees incurred with respect to the license agreement with CoGenesys Inc (patents licensed to Vegenics) of $2,631,925 being fully expensed although the rights provided under that agreement are available to Vegenics until the relevant patents expire; and an amount paid to CoGenesys of $1,267,925 relating to the acquisition of certain rights to Cambridge Antibody Technologies plc human monoclonal antibodies that target VEGF-C.
        - The expensing of the intellectual property relating to VEGF under the agreement between Vegenics, Ludwig and Licentia amounting to $4 million. The granted patents for the various IP estates assigned to Vegenics expire at various dates between 2015 and 2022.
        - Patent costs incurred by Vegenics for the period amounted to $1,848,966. Further information with respect to Vegenics is provided in the Review of Operations Report.
- Research and development expenditure of $3,137,922 being an increase of $2,057,625 as compared to the year ended 30 June 2006 (this includes research and development costs incurred by Vegenics relating to cancer therapeutics projects of $1,162,138); and
- An expense amount of $988,570 being the Group's share of the losses of Antisense Therapeutics Limited for the year ended 30 June 2007 as required under equity accounting (2006: $1.5 million).

Shareholder Returns

The following is a summary of shareholder returns for the last four financial years:

	2007	2006	2005	2004
Basic earnings/(loss) per share (cents per share)	27.92	(16.13)	54.16	14.44
Capital return per share (cents per share)	-	-	38.00	-
Dividends per share (cents per share)	-	-	27.00	-

Circadian's share price at 30 June 2007 was $1.28 (2006: $1.05) and at the date of this report was $1.20.

Review of Operations

The Review of Operations Report, which forms part of this Directors' Report, provides information regarding the consolidated entity's key corporate activities and the progress achieved during the 30 June 2007 financial year with respect to the consolidated entity's interests in Vegenics Limited, key research and development projects and an update on its listed technology holdings.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except as otherwise set out in this report, the directors are unaware of any significant changes in the state of affairs or principal activities of the consolidated entity that occurred during the period under review.

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SIGNIFICANT EVENTS AFTER BALANCE DATE

(i) At the date of this report, the market value of the consolidated entity's shareholdings in listed investments decreased by $2,147,040 to $17,567,358. The decrease in market value of these investments since year end is not reflected in the financial report.

(ii) In July 2007, Vegenics and SienaGen srl formed a US company, Kappa Life Sciences Inc (Kappa), which will be focused on the development of orthopaedic applications of VEGF-D, based on the discovery of VEGF-D's role in bone remodelling by Dr Salvatore Oliviero's laboratory at the University of Siena.

The transaction involves Kappa acquiring 100% of SienaGen with Vegenics making an initial €1 million (approximately A$1.6 million) investment into Kappa which will provide Vegenics with a 25% interest in that company. Vegenics will provide a worldwide licence to SienaGen of its intellectual property covering VEGF-D protein in the field of orthopaedic disease therapeutics, and SienaGen will grant to Vegenics an exclusive licence to its intellectual property in respect of VEGF-D for all other applications. Vegenics has to date paid €100,000 (A$158,705) and will pay the balance of €900,000 (approximately A$1.4 million) once the applicable conditions precedent are met under the agreements relating to the transaction.

CORPORATE OBJECTIVES AND LIKELY DEVELOPMENTS

The Board of Directors intends for the Circadian Group to continue with its overall objective of acting as a strategic biotech investor. The Group sources and incubates biomedical research projects with the ultimate aim of commercialisation whether by way of collaborative and/or licensing arrangements with pharmaceutical companies or by listing projects in a separate entity on the Australian Stock Exchange.

The various activities in which the Group is involved are both creative and innovative and the Group is at present focussing on building value into its asset Vegenics Limited as well as adding value to its other key research projects. It will also pursue its objective of appraising other projects which may be identified as having potentially significant value.

Some of the risks inherent in the development of a product to a marketable stage include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of the necessary drug regulatory authority approvals and difficulties caused by the rapid advancements in technology. Also a particular compound may fail the clinical development process through lack of efficacy or safety. Companies such as Circadian are dependent on the success of their research projects and technology investments. Investment in research projects and technology-related companies cannot be assessed on the same fundamentals as trading and manufacturing enterprises. Thus investment in these areas must be regarded as speculative taking into account these considerations.

In the opinion of the directors, it would prejudice the interests of the Group to provide additional information, except as reported in this Annual Report, relating to likely developments in the operations of the Group.

ENVIRONMENTAL REGULATIONS

The Group is not subject to significant environmental regulations.

INDEMNIFICATION AND INSURANCE

During the financial year ended 30 June 2007, the Company indemnified its directors, the company secretary and executive officers in respect of any acts or omissions giving rise to a liability to another person (other than the Company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the Company indemnified the directors, the company secretary and executive officers against any liability incurred by them in their capacity as directors, company secretary or executive officers in successfully defending civil or criminal proceedings in relation to the Company. No monetary restriction was placed on this indemnity.

The Company has insured its directors, the company secretary and executive officers for the financial year ended 30 June 2007. Under the Company's Directors' and Officers' Liabilities Insurance Policy, the Company

shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

REMUNERATION REPORT (audited)

This Remuneration Report outlines the remuneration arrangements in place for directors and executives of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report, *key management personnel* of the Group 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 all the executives in the parent and the Group (the Group only has four executives).

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the executive and non-executive directors and other key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality board and executive team.

Remuneration Policy

The remuneration of key management personnel is designed to enable the Group to attract, motivate and retain non-executive officers and executive officers who will create value for shareholders and to fairly and responsibly remunerate them having regard to their performance, the performance of the Group and the general pay environment.

To this end, the Group has adopted the following principles in its remuneration framework: provide competitive rewards to attract high calibre executives; link executive rewards to shareholder value; and establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure & Performance

The Company's constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors will be determined from time to time by a general meeting. An amount (not exceeding the amount approved at the General Meeting) is determined by the Board and then divided between the non-executive directors as agreed. The latest determination was at the Annual General Meeting on 6 October 2005 when shareholders approved the aggregate maximum sum to be paid or provided as compensation to the non-executive directors as a whole (therefore excluding the Managing Director and the Executive Director) for their services as $500,000 per annum. Currently, non-executive directors are compensated to an aggregate of $262,000 per annum.

The manner in which the aggregate compensation is apportioned amongst non-executive directors is reviewed periodically.

Each director receives a fee for being a director of the Company (currently ranging between $46,000 to $75,000 per annum). Effective from 7 September 2006 an additional annual fee of $5,000 per committee is also paid for

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each Board committee on which a director sits, except for the Science Committee. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees. The time committed by the Chair of the Science Committee is recognised in his director's fee. Non-executive directors are not compensated by way of issue of securities in the Company.

The Board is responsible for reviewing its own performance. Board performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months). An evaluation was conducted during the year (in June 2007) of the Board's performance against specific qualitative performance criteria, some of which are measurable. The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: board structure, board role and responsibilities, strategy and planning, monitoring of company performance and board culture and relationships (amongst each director and with management).

The compensation of non-executive directors for the year ended 30 June 2007 is detailed in Table 1 of this report.

Executive Remuneration

Objective

The Company aims to fairly and responsibly remunerate executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for company performance;
- link reward with the strategic goals of the Company;
- align the interest of executives with those of shareholders; and
- ensure total compensation is competitive by market standards.

Structure & Performance

In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice and/or may also perform its own market research by accessing relevant remuneration reports prepared by third parties.

Compensation consists of the following key elements, the relative proportions of which are market based (note that short-term incentives were introduced for the first time during the 30 June 2007 financial year):

- Fixed remuneration (base salary and superannuation)
- Variable remuneration:
  - Short-term incentive (STI); and
  - Long-term incentive (LTI)

The non-executive directors are responsible for evaluating the performance of the Managing Director and of the other senior executives. The Managing Director also evaluates the performance of the other senior executives as well as the company secretary. The performance evaluation of the senior executives involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are being achieved and whether long-term strategic objectives are being achieved. Specific and measurable qualitative and quantitative performance criteria are used.

The performance of the Managing Director and the other senior executives is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. The process for evaluating the Managing Director's and senior executives' performance has been initiated and is expected to be completed within the next month. The last Remuneration Committee at which a review of remuneration structure for the senior executives was performed in September/October 2006 at which time key performance indicators were set.

Table 1 of this report sets out the remuneration of directors and executives of the Company for the year ended 30 June 2007 showing the proportion of fixed remuneration and variable remuneration.

Fixed Remuneration

Objective

The level of fixed compensation is set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market. Leon Serry, Graeme Kaufman and Robert Klupacs (senior executives) have between them about 80 years experience in the pharmaceutical/biotechnology industry. As noted above, the Remuneration Committee has access to external advice independent of management.

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Structure
Executives' fixed compensation comprises salary and superannuation and is reviewed every 12 to 20 months by the Remuneration Committee.

Variable Remuneration – Short Term Incentive (STI)

Objective
The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances. As stated earlier, the STI was introduced for the first time during the 30 June 2007 financial year for the three most senior executives.

Structure
Actual STI payments in the form of cash bonuses to each senior executive depend on the extent to which specific targets set at the beginning of the financial year are met (as the STI was only introduced in October 2006 for the current financial year, these targets were set at that time). The targets consist of a number of Key Performance Indicators (KPIs) covering corporate objectives and individual measures of performance. Individual KPIs are linked to the Company's strategy and annual business plan. Examples of personal objectives include the achievement of certain milestones for R&D projects and securing desirable out-licensing/collaboration agreements.

On an annual basis, after consideration of performance against KPIs, the Remuneration Committee, in line with its responsibilities, determines the amount, if any of the STI to be paid to each senior executive. This process is to occur within two months after the relevant financial year end.

The maximum annual STI cash bonus available for each senior executive is subject to the approval of the Remuneration Committee. Payments of the STI bonus are made in the following reporting period.

STI bonus for the 2007 financial year
The Remuneration Committee will consider the STI payment for the 2007 financial year within the first two months after the end of that year. The maximum STI cash bonus that could be paid for the 2007 financial year and which has been accrued is $150,000 plus relevant on-costs. This has been determined on the basis of what KPIs are probable of being achieved by the senior executives. Any adjustments between the actual amounts to be paid as determined by the Remuneration Committee and the amounts accrued will be adjusted in the 2008 financial year. The minimum amount of the STI cash bonus assuming that no executives meet their respective KPIs for the 2007 financial year is nil.

There have been no alterations to the STI bonus plans since their inception.

Variable Remuneration – Long Term Incentive (LTI)

Objective
The objective of the LTI plan is to reward executives in a manner that aligns this element of compensation with the creation of shareholder wealth.

As such, LTI grants are made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle. However, other employees may be offered small amounts of options which are not material to their remuneration packages.

Structure
LTI grants to key management personnel are delivered in the form of options and performance rights.
Options:
Share options are granted to executive directors and certain employees.

In valuing transactions settled by way of issue of options, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Circadian Technologies Limited. All options issued have market performance conditions so as to align shareholder return and reward for the Company's key management personnel.

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Options issued in 2004
With respect to the options issued in the 2004 financial year the exercise prices were set at substantially higher prices than the Company's share price at grant date.

The contractual life of each option granted is five years. There are no cash settlement alternatives.

These options have four vesting dates, for various proportions of the total issued options, during the life of the options. The options issued in 2004 were "well out of the money" at the grant date and as at 30 June 2007.

Options issued in 2007
In September/October 2006, the Remuneration Committee examined the appropriateness of the long-term incentives to executives in place at that time. Based on its recommendation the Board of Directors resolved, subject to shareholder approval (which was received on 31 January 2007), to implement a Circadian Senior Management Option Plan (Option Plan) and offer options which are subject to performance hurdles. This replaced the Circadian Executive Performance Rights Plan. The options issued to employees (including senior executives) in 2007 pursuant to this Option Plan comprises three tranches.

The options in each tranche will vest on the satisfaction of the following performance conditions within 5 years of the grant date (Performance Hurdles):

- *Tranche 1* – a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price (i.e. $1.875);
- *Tranche 2* – the Share Price achieves not less than 150% of the Exercise Price (i.e. $2.25); and
- *Tranche 3* – the Share Price achieves not less than 175% of the Exercise Price (i.e. $2.625).

The Share Price is to be calculated as the volume weighted average share price of Circadian shares traded on the ASX over a consecutive 15 day trading period.

Vested options may only be exercised at any time from the fourth anniversary of grant date up to and including the fifth anniversary of grant date.

The exercise price for each option granted is $1.50 (Exercise Price) to acquire one fully paid ordinary share in the Company. The Exercise Price is subject to any adjustment which is required under the ASX Listing Rules as a consequence of a capital reorganisation or a pro rata rights issue of shares which occurs after the grant of the options but prior to the exercise of the options.

In the past Circadian has listed research and development projects in separate entities to the ASX with Circadian shareholders receiving entitlements to such listings. Also, Circadian has in the past returned capital to its shareholders. To ensure that option holders are rewarded for creating value for shareholders, subject to the ASX Listing Rules, the Board has retained a residual discretion to adjust the exercise price of options and/or reduce the Share Price hurdles described above for benefits provided to the members resulting from such listings and/or capital returns or other benefits provided to members.

The Board has residual discretion to accelerate vesting (i.e. reduce or waive the Performance Hurdles) and exercise of options in the event of a takeover or merger or any other circumstance in accordance with the terms of the Option Plan.

Options in relation to which performance conditions have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised, except in circumstances as described below.

Options which have not vested will lapse where an option holder ceases employment with Circadian other than on retirement, redundancy, death or total and permanent disablement, or unless as otherwise determined by the Board in its absolute discretion.

Where an option holder has ceased employment with Circadian as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period but not before the first anniversary of grant date, options (whether vested or not) may be retained by the option holder on a pro-rata basis (the pro-rata being calculated over the 4 year period from grant date). For example, if an option holder ceases employment for any of the reasons described in this paragraph on the second anniversary of grant

date, then the option holder would be entitled to retain 50% of the options issued to them, however, they would not retain any options issued to them if they cease employment before the first anniversary of grant date. However, all options will be retained by an option holder on the date of retirement if that option holder has completed 15 years employment with the Company. The performance conditions for vesting, exercise date and the exercise period would remain unchanged subject to the other terms described above.

Performance rights:
A Performance Rights Plan (Plan) was established during the 2006 financial year to provide annual grants of performance rights to certain executives of the Group. The first (and only) grant of performance rights was made in November 2005 to the three most senior executives of the Group. No further annual grants have been made or will be made under this Plan as the Option Plan described above has replaced this Plan (see "*Options Issued in 2007*" above).

The Group used a relative Total Shareholder Return (TSR) as the performance hurdle in granting performance rights to its key management personnel. The objective of using the TSR based hurdle is to align comparative shareholder return and reward for the Company's key management personnel.

The performance rights granted under the Plan have a notional value of 25% of the remuneration package (i.e. salary plus superannuation) of each executive at the time of grant. The actual number of performance rights granted was calculated as 25% of the remuneration package of each executive divided by the average daily volume weighted sale price of Circadian shares over the 5 trading days immediately preceding the grant date.

There is no issue price for the performance rights granted and there is no exercise price applicable.

The number of performance rights that participants in the Plan will be able to exercise will be determined according to Circadian's TSR relative to a comparator group of companies over the three-year performance period ending on 30 June 2008.

TSR measures the return provided to shareholders by share price appreciation plus reinvested dividends/entitlements over the performance period, expressed as a percentage of the investment.

The comparator group for performance rights granted is the 50 ASX-listed companies ranked both above and below Circadian by market capitalisation, excluding listed property trusts and similar entities. Accordingly, the comparator group will comprise, if possible, 100 ASX listed companies.

No performance rights granted will become exercisable (or 'vest') unless Circadian's TSR over the performance period is equal to or above the TSR of the Company that is at the median of the comparator group of companies, ranked by their individual TSR performance, at which point 50% of the performance rights will vest.

All of the performance rights granted will vest if Circadian's TSR over the performance period is equal to or greater than the TSR of the Company at the 75th percentile of the comparator group of companies, ranked by their TSR performance.

The number of performance rights granted that vest will increase by 2% for each one percentile increase in Circadian's TSR performance between the median and the 75th percentile over the performance period.

Vested performance rights may be exercised at any time on or before the expiry of 10 years from the date the performance rights are granted, subject to compliance with the Company's share trading policy (i.e. seven years after the performance test is satisfied). There are no cash settlement alternatives.

As mentioned earlier the assessment of whether the performance hurdles for the performance rights granted in 2005 have been met will occur shortly after 30 June 2008. The assessment of whether performance hurdles have been met will be performed by the independent consulting firm which recommended these performance rights as an LTI.

Employment contracts

There were no employment contracts during the year and in the prior year.

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Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2007 (Consolidated)

		Short-Term			Post Employ-ment	Long-Term	Share-based Payment		Total	Total Perform-ance Related
		Salary & Fees	Cash Bonus	Other Benefits	Super-annuation	Long service leave	Options/ rights granted in prior years*	Options granted in 2007 exercisable in 2011 subject to meeting share price hurdles* ^		
		$	$	$	$	$	$	$	$	%
Directors:										
L Serry	2007	582,084	37,500	-	55,763	10,962	31,270	510,975^	1,228,554	47.19
	2006	582,084	-	-	52,388	10,962	93,296	-	738,730	12.63
G Kaufman	2007	311,928	20,000	-	29,874	-	16,031	33,365	411,198	16.88
	2006	309,953	-	-	27,896	-	46,910	-	384,759	12.19
J Stocker	2007	69,079	-	-	6,217	-	-	-	75,296	-
	2006	65,000	-	-	5,850	-	-	-	70,850	-
J MacKenzie	2007	54,158	-	-	4,874	-	-	-	59,032	-
	2006	46,000	-	-	4,140	-	-	-	50,140	-
D Fisher [1]	2007	77,789	-	-	7,001	-	-	-	84,790	-
	2006	53,932	-	-	4,854	-	-	-	58,786	-
D Clarke [1]	2007	54,158	-	-	4,874	-	-	-	59,032	-
	2006	38,333	-	-	3,450	-	-	-	41,783	-
P Derham [2]	2007	-	-	-	-	-	-	-	-	-
	2006	23,871	-	-	-	-	-	-	23,871	-
Executives:										
N Korchev	2007	225,004	20,000	-	22,050	13,399	1,010	8,314	289,777	10.12
	2006	171,921	-	-	15,473	-	4,300	-	191,694	2.24
R Klupacs [3]	2007	296,063	75,000	-	33,396	-	5,232	33,365	443,056	25.64
	2006	237,159	-	12,295	21,881	-	3,454	-	274,789	1.26
Total Remuneration: Directors and Executives										
	2007	**1,670,263**	**152,500**	**-**	**164,049**	**24,361**	**53,543**	**586,019**	**2,650,735**	
	2006	1,528,253	-	12,295	135,932	10,962	147,960	-	1,835,402	

1 Appointed 1 September 2005
2 Retired 6 October 2005 after 21 years of service
3 Employment commenced 15 August 2005
4 No non-monetary benefits have been provided to key management personnel.

* No options have been exercised by the executive directors and other executives in the last seven years.

^ The options granted to L Serry in the 2007 financial year are on the same terms as other options granted to executives in 2007 except that due to his tenure with the Company (he has been with the Company for over 20 years), he may retain all options issued regardless of when he may choose to resign/retire. However, pursuant to the terms of the options, certain share price hurdles must be met (as described earlier) before they vest and vested options may not be exercised earlier than 8 February 2011 (see Table 2 and Note 29 to the financial statements for further details). Due to L Serry being able to retain all options regardless of when he may leave the employment of Circadian, accounting standard AASB 2 *Share-Based Payments* requires all of the options granted to L Serry to be expensed on date of grant irrespective of the fact that they have not vested and will not be exercisable until 2011.

The value of the options attributed to compensation of certain key management personnel for the current financial year represent the amortised cost of options that were granted in the 2004 and 2007 financial years, and has been determined by allocating the fair value of the options equally over their respective vesting periods.

The value of the performance rights attributed to compensation of certain key management personnel for the current year has been determined based on amortising the value of total performance rights issued on a straight line basis from grant date to vesting date. The performance rights were granted in the 2006 financial year.

Refer to note 29 of the financial report for details on the valuation of options and performance rights.

Table 2: Compensation options and performance rights: Granted and vested during the year (Consolidated)

		Granted during year		Terms & Conditions for each Grant					Vested during year*
		No.	Grant Date	Fair value per option/right at grant date (note 29)	Exercise price per option/right (note 29)	Expiry Date	First Exercise Date	Last Exercise Date	No.
OPTIONS:									
Directors									
L. Serry	2007	750,000	8/2/07	$0.675 - $0.686	$1.50	8/2/12	8/2/11	8/2/12	125,000
	2006	-							125,000
G. Kaufman	2007	500,000	8/2/07	$0.675 - $0.686	$1.50	8/2/12	8/2/11	8/2/12	62,500
	2006	-							62,500
Executives									
N. Korchev	2007	100,000	8/2/07	$0.675 - $0.686	$1.50	8/2/12	8/2/11	8/2/12	
		50,000	5/3/07	$0.41 - $0.433	$1.50	9/3/12	9/3/11	9/3/12	6,250
	2006	-							6,250
R. Klupacs	2007	500,000	8/2/07	$0.675 - $0.686	$1.50	8/2/12	8/2/11	8/2/12	-
	2006	-							-
Total Options	2007	1,900,000							193,750
	2006	-							193,750
PERFORMANCE RIGHTS:									
Directors									
L. Serry	2007	-							-
	2006	128,110	2/11/05	$0.23	Nil	30/6/15	30/6/08	30/6/15	-
G. Kaufman	2007	-							-
	2006	68,652	2/11/05	$0.23	Nil	30/6/15	30/6/08	30/6/15	-
Executive									
R. Klupacs	2007	-							-
	2006	60,575	2/11/05	$0.23	Nil	30/6/15	30/6/08	30/6/15	-
Total Performance Rights	2007	-							-
	2006	257,337							-
TOTAL	**2007**	**1,900,000**							**193,750**
	2006	257,337							193,750

* The number of options that vested in the 2006 and 2007 financial years includes relevant portions of those granted in the 2004 financial year. These were not exercised during the relevant reporting periods as they were "well out of the money".

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During the current financial year, options were granted as equity remuneration benefits under the long-term incentive plan to executives as disclosed in table 2 above. No options have been granted to the non-executive directors of the Board of Directors under this scheme.

Since the end of the financial year, there were no options or performance rights granted or shares issued to key management personnel.

Table 3: Options granted as part of remuneration (Consolidated) [1]

	Total value of options granted during the year $	Value of options expensed during the year [2] $	Value of options exercised during the year $	Value of options lapsed during the year $	% Remuneration consisting of options for the year [3]
L. Serry	510,975	510,975	-	-	44.14
G. Kaufman	340,650	33,365	-	-	12.01
N. Korchev	89,148	8,314	-	-	3.22
R. Klupacs	340,650	33,365	-	-	8.71

1 For details on the valuations of the options, including models and assumptions used, please refer to note 29 of the financial statements.
2 The values in this column reflect the amount recognised as an expense during the year only on the options granted during the year.
3 This column reflects the percentage of remuneration consisting of options and performance rights expensed during the year relating to current year and prior year grants.
4 No options were exercised during the current year nor did any options lapse during the year.

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

Shares issued on exercise of compensation options and performance rights (Consolidated)
There were no options or performance rights exercised by key management personnel during the 2007 and 2006 financial years as they were either "out of the money" or had not vested.

DIRECTORS' MEETINGS
The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Science
Number of meetings held:	**18**	**4**	**5**	**2**
Number of meetings attended:				
Dominique Fisher	18	4	4 [0]	-
Leon Serry	18	-	-	2
Graeme Kaufman	18	-	-	2
John Stocker	18	-	5	2
James MacKenzie	10 [18]	2 [4]	4 [5]	-
Don Clarke	18	4	5	-

Where a director did not attend all meetings of the Board or relevant committee, the number of meetings for which the director was eligible to attend is shown in brackets. Note that Dominique Fisher is not a member of the Remuneration Committee, however she has attended meetings of that Committee.

COMMITTEE MEMBERSHIP
At the date of this report, the Company had an Audit Committee, Remuneration Committee and Science Committee of the Board of Directors.

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Members acting on the committees of the Board during the year were:

Audit	**Remuneration**	**Science**
J MacKenzie (Chairman)	D Clarke (Chairman)	J Stocker (Chairman)
D Fisher	J Stocker	L Serry
D Clarke	J MacKenzie	G Kaufman
		R Klupacs
		Prof J Goding* (appointed 1 January 2007)

* Dr James Goding is Professor of Pathology – Monash University, is an independent consultant and is not a director or an employee of the Company.

AUDITOR INDEPENDENCE

The directors have obtained a declaration of independence from Ernst & Young, the Group's auditors, which is attached to this report.

NON-AUDIT SERVICES

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

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

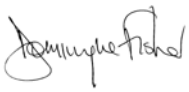
Tax compliance services	$14,100
Other tax services	$32,340
Assurance related	$11,659

This report has been signed in accordance with a Resolution of the Directors made on 14 August 2007.

For and on behalf of the Board:



Leon Serry
Director



Dominique Fisher
Director

Melbourne
14 August 2007

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ERNST & YOUNG

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8 Exhibition Street
Melbourne VIC 3000
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Melbourne VIC 3001

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Auditor's Independence Declaration to the Directors of Circadian Technologies Limited

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

Ernst & Young

Ernst & Young

Joanne Lonergan

Joanne Lonergan
Partner
14 August 2007

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REVIEW OF OPERATIONS REPORT

Review of Operations

During the year ended 30 June 2007, Circadian's main focus was the establishment and development of the collaboration with the New York based Ludwig Institute for Cancer Research (Ludwig) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia) with the formation of a new company, Vegenics Limited (Vegenics). The Group also further progressed its various research projects in the areas of cancer and neuroscience and it crystalised a total gain of $27.7 million on the disposal of some of its listed biotech holdings.

The objective of the collaboration with Ludwig and Licentia, which was effective July 2006, is to develop and commercialise the intellectual property and technology of Ludwig and Licentia in respect of molecules known as vascular endothelial growth factors (VEGF). Vegenics is initially focussing on developing peptide and antibody antagonists to two forms of VEGF (VEGF-C and VEGF-D) as anti-tumour agents. Ludwig and Licentia have developed an extensive VEGF patent portfolio, comprising over 160 granted patents in USA, Europe, Japan and Australia and more than 500 pending patent applications worldwide. With the completion during the year of an additional capital raising (Circadian has now contributed a total of $21.5 million into Vegenics), this patent portfolio has been assigned to Vegenics, together with several existing licence agreements. Circadian currently owns 67% and 33% is owned by Ludwig and Licentia.

On 17 July 2006, CSL Limited (Australia's largest biopharmaceutical company) and Zenyth Therapeutics Limited (formerly Amrad Corporation) announced a merger proposal under which CSL would acquire 100% of the issued shares in Zenyth, to be implemented by way of a scheme of arrangement between Zenyth and its shareholders. Following approval of the scheme of arrangement, the transaction was completed in November 2006. The Group recognised a gain of $7,548,983 on the disposal of its 22.6% holding in Zenyth and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 – resulting in a total gain of $12,623,847.

During the year, we also realised gains of $8,285,760 on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited (the Group's remaining holding is 36,012,701 ordinary shares), and a gain of $6,769,565 on the disposal of 22,489,836 ordinary shares in Avexa Limited (the Group's remaining holding is 13,667,914 ordinary shares).

In April 2007, Fibre Optics (Aust) Pty Ltd, a wholly owned subsidiary of Circadian, subscribed for 7,535,622 ordinary shares in Avexa for a consideration of $3.99 million in Avexa's renounceable rights issue.

RESEARCH PORTFOLIO

Circadian currently manages a research portfolio comprising several projects focussed on the cancer and neurosciences areas. We present this update on the research and development projects for the year ended 30 June 2007.

Vegenics Limited

Shareholders: Circadian: 67%; Ludwig Institute for Cancer Research 15%; Licentia Limited: 18%

On 22 August 2006, Vegenics announced that it had signed an agreement with CoGenesys Inc (based in Rockville, Maryland USA). The agreement provides Vegenics with further rights to intellectual property in the field of the vascular endothelial growth factor, VEGF-C. Under the agreement, Vegenics also obtained an option to develop an existing VEGF-C antibody developed by CoGenesys in collaboration with Cambridge Antibody Technologies plc, which was exercised during the year to acquire the relevant rights.

On 2 April 2007, Vegenics announced that (with a further $8 million investment by Circadian, bringing the total Circadian investment to $21.5 million) it had completed the $16 million funding that it was required to achieve under its licensing agreement with Ludwig and Licentia. Ownership of the Ludwig and Licentia patents in respect

of VEGF-C and VEGF-D have now been assigned to Vegenics thus providing Vegenics with over 35 different patent families (including over 160 granted patents and more than 500 pending patents worldwide).

Also, the various licences granted by Ludwig to its licensees including Ark Therapeutics Group plc (LSE: AKT) and Imclone Systems Inc (NASDAQ: IMCL) have now been novated to Vegenics. On 22 May 2007, Ark Therapeutics announced that it had been given clearance by the US Recombinant DNA Advisory Committee for its planned Phase 3 US clinical study of Trinam®. Trinam®, a novel gene therapy product which seeks to prevent blood vessels blocking in kidney dialysis patients, utilises technology licensed from Vegenics. Ark expects this Phase 3 trial to commence in the second half of 2007. For further information see Ark Therapeutics' website: http://www.arktherapeutics.com.

On 29 June 2007, Vegenics Limited and SienaGen srl announced that they had entered into a binding letter of intent to create a new US company, Kappa Life Sciences Inc (Kappa), focused on the development of orthopaedic applications of recombinant VEGF-D. This company was formed in July 2007. The transaction involves Kappa acquiring 100% of SienaGen with Vegenics making an initial €1 million (approximately A$1.6 million) investment into Kappa which will provide Vegenics with a 25% interest in that company. Vegenics will provide a worldwide licence to SienaGen of its intellectual property covering VEGF-D protein in the field of orthopaedic disease therapeutics, and SienaGen will grant to Vegenics an exclusive licence to its intellectual property in respect of VEGF-D for all other applications. Vegenics has to date paid €100,000 (A$158,705) and will pay the balance of €900,000 (approximately A$1.4 million) once the applicable conditions precedent are met under the agreements relating to the transaction.

Cancer Vaccines Project

Project Owners: Circadian: 50%; Monash University: 50%

Project Background

This project aims to develop novel immunising agents with potential application in the development of vaccines against cancer, building on original work carried out at Monash University and the University of Melbourne.

Historically, vaccines have been primarily used as prophylactic agents, i.e. for the prevention of disease. However, the use of vaccines as a potential therapy for cancer is attracting significant attention in the medical community, as they may potentially offer a more effective approach to treatment with fewer side effects than current cytotoxic drugs. The vaccine approach is based on using a protein or peptide antigen to stimulate the body to produce an immune response against the cancer.

Peptide antigens offer significant potential benefits over their much larger parent proteins. They are much easier and cheaper to produce, they are much simpler to characterise from a regulatory perspective, and they offer the potential to develop multi-valent vaccines without requiring an impracticable protein load.

The full potential of this peptide vaccine strategy to date has been limited by issues related to the stability of the antigen after administration, and the ability of the antigen to generate an optimal immune response. The scientists at Monash and Melbourne are developing a method of introducing modifications to antigens to improve their stability and generate improved immune responses in models of anti-tumour immunity, while maintaining their specificity for the target.

The first phase of the study successfully demonstrated the essential qualities above in a model system. The second phase of the study currently being undertaken aims to demonstrate therapeutic efficacy in a cancer model, using a peptide derived from a known cancer antigen.

Patent applications covering the technology are currently in National Phase in major jurisdictions.

Update

- The second phase of the project, demonstration of "proof of concept" using a known antigen, is proceeding on schedule for completion in Q4 of 2007.

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- In July 2006, the Australian Research Council announced the award of a $671,000 Linkage Grant to Monash University to support the project. The additional funding will be used to accelerate the project and to increase its scope to a broader range of antigens.

For the period to 30 June 2007, the Group incurred $666,597 (2006: $252,923) for research funding with respect to this project. The Group's remaining funding commitment at year end is $366,646 (2006: $662,742).

Dicarba Analogues Project

Project Owners: Circadian: 50%; Monash University: 50%

Project Background

This research project is based on a novel technology for the development of stable peptides, with potential application across a broad range of therapeutic agents. The project builds on original work carried out at Monash University.

Peptides are small protein molecules, including commonly known substances such as insulin, growth hormone and the conotoxins. Increasingly, peptides are being developed as therapeutic agents, as they are easier and cheaper to manufacture than compounds such as antibodies, while potentially retaining good specificity for the target. However, the use of native peptides as therapeutic agents is limited by issues related to the stability of the peptide after administration. The Monash team are developing a method of replacing internal molecular linkages known as disulphide bonds with more stable carbon bonds, in a highly specific fashion. Initial studies suggest that enhanced stability can be achieved without significant loss of activity.

Experimental work is being undertaken to demonstrate the utility of the technology in different classes of potential therapeutic peptide molecules, focusing on showing efficacy and stability in laboratory models. The first peptide class was conotoxins, with potential in pain management. Synthesis of compounds and initial testing work has been completed. Further work on other applications is in progress, with encouraging preliminary results.

Circadian has committed $250,000 in research funding over 12 months with an option to extend funding at the same level for a further 12 months. The focus of the project will be to develop and test several candidate compounds to demonstrate proof of principle across several disease categories.

Following execution of the agreement, three provisional patent applications covering the technology were lodged in February 2006.

Update

- Initial work has been completed on modified conotoxins, with further evaluation being carried out.
- Experimental work is in progress to demonstrate the utility of the technology in several other classes of potential therapeutic peptide molecules.

For the period to 30 June 2007, the Group incurred $171,922 (2006: $198,667) for research funding with respect to this project. The Group's remaining funding commitment at year end is $250,000 (2006: $28,000).

Analgesic Project - Non-Sedating Analgesics

Project Owners: Circadian: 85.7%; Monash University: 14.3%

Project Background

The aim of the project is to develop a lead compound which provides a pain killing effect without brain related side effects such as drowsiness, nausea or addiction. Laboratory tests have been completed on selected compounds with the results indicating potential analgesic effect without the involvement of the central nervous system. Patents covering certain of the compounds have been granted in the US, Europe and Australia.

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Update

- Additional quantities of the most promising candidate compounds have been synthesised to enable more extensive laboratory testing in models of analgesia, with the aim of assembling a data package for approaching potential partners for the project. These compounds are with an external contractor for testing.

For the period to 30 June 2007, the Group incurred $56,804 (2006: $nil) for research funding with respect to this project. The Group did not have a funding commitment at year end (2006: $nil).

Memory Enhancement Project

Project Owners: Circadian: 60%; University of Sydney: 40%

Project Background

This project relates to the development of a method of treating memory disorders using compounds which block the GABAc receptor in the brain, which investigations at the University of Sydney found may be important in memory processes. Patents covering the compounds have been granted in Australia, Europe and the United States.

Update

- Manufacture of additional quantities of compounds has been completed, for evaluation in laboratory models.

For the period to 30 June 2007, the Group incurred $221,594 (2006: $21,231) for research funding with respect to this project. The Group did not have a funding commitment at year end (2006: $191,082).

Paracetamol Project

Project Owners: Circadian: 50%; Howard Florey Institute: 50%

Project Background

The aim of this collaborative project with the Howard Florey Institute is to modify the paracetamol molecule to reduce possible side-effects while maintaining its painkilling properties. This project now incorporates the former Neurodegenerative Diseases Project, which was terminated in June 2006 (the funding for that project was transferred to the Paracetamol Project from 1 July 2006).

Two initial candidate compounds have been synthesised and tested with encouraging results.

Update

- A further 10 compounds have been synthesised and are currently being tested in laboratory models.

For the period to 30 June 2007, the Group incurred $105,000 (2006: $nil) for research funding with respect to this project. The Group's remaining funding commitment at year end is $100,000 (2006: $nil).

Alzheimer's Research Project

Project Owner: Circadian: 100%

Project Background

This project, based on original work carried out at the Walter & Eliza Hall Institute (WEHI), aims to develop an inhibitor to the p75 nerve growth factor receptor and is being carried out at the University of Melbourne.

A characteristic feature of Alzheimer's disease is the decline of particular nerve cells called cholinergic neurons, leading to lowered levels of the vital chemical they produce, called acetylcholine. Research at the WEHI has shown that in animal models, inhibition of the p75 receptor increases the size and output of acetylcholine from these nerve cells. It has also been shown to improve memory in laboratory models.

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Update

- Two approaches for delivery to the brain are being investigated. The experimental work has been completed, and results are being analysed.

For the period to 30 June 2007, the Group incurred $237,328 (2006: $269,676) for research funding with respect to this project. The Group's remaining funding commitment at year end is $101,062 (2006: $60,470).

Cancers of Unknown Primaries Project – Cancer Diagnostics

Project Owners: Circadian: 50%; Peter MacCallum Cancer Centre: 50%

Project Background

This project, based at the Peter MacCallum Cancer Centre in Melbourne, is aimed at diagnosing cancers of unknown tissue origin. The test involves gene expression profiling to assist in identifying the primary source of a tumour. Should Circadian exercise its rights under the agreements with Peter Mac, it will obtain a worldwide exclusive licence for the project.

Update

- The Group is progressing the development and validation of a new PCR-based assay platform suitable for routine use in diagnostic laboratories, using a large library of tissue samples. The Group has also arranged to access samples from a third party UK-based clinical trial to assist in the validation.

For the period to 30 June 2007, the Group incurred $200,000 (2006: $112,500) for research funding with respect to this project. The Group did not have a funding commitment at year end (2006: $200,000).

Syngene Limited - Gene Diagnostics

Shareholders: Circadian: 42.4%; Casthree Pty Ltd: 20%; Howard Florey Institute: 19.5%; Howard Florey Institute staff and others: 18.1%

Background

Syngene has an exclusive worldwide license from the Howard Florey Institute (HFI) for technology in the areas of DNA diagnostics. As a result of Syngene's projects with HFI, Syngene has exclusive licenses to a patent portfolio in the areas of *in situ* hybridisation, a technology that enables precise location of gene activity in sections of tissue with application in diagnostic markets.

Syngene has granted non-exclusive worldwide licenses to the HFI patents to six companies, including Roche Diagnostics, Invitrogen and Novocastra Laboratories Ltd.

Update

- Negotiations are continuing with other potential licensees with regard to the granting of further non-exclusive licenses to Syngene's technology.

Syngene has a 10.2% holding in Antisense Therapeutics Limited which had a market value of $1.9 million at 30 June 2007 compared with an original cost of $505,000.

LISTED TECHNOLOGY HOLDINGS

Key Highlights

Circadian's interests in listed technology holdings are detailed below. The key operational highlights of these listed holdings during the period under review are based on the respective listed company's Australian Stock Exchange announcements. To form a view on the operations and performance of these listed companies, the ASX

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announcements issued by these companies should be read in full together with information available on their respective websites.

Metabolic Pharmaceuticals Limited - Peptide Therapeutics

Circadian Holding 30 June 2007 - Market Value: $4.5 million; Acquisition value: $10K
Shareholders: Circadian: 12.0%; Others: 88.0%

Company Background

Metabolic was formed and listed by Circadian with Monash University and Circadian as the major shareholders, with the mission of developing therapies for metabolic diseases that have high market potential such as obesity and adult onset diabetes. Since that date, Metabolic has also conducted other early stage research projects. Metabolic acquired 100% of the obesity project, previously jointly owned by Circadian (through its wholly owned subsidiary Polychip Pharmaceuticals Pty Ltd) and Monash University.

On 29 November 2006, Circadian sold 12 million Metabolic shares to institutional investors for a total consideration of $8.3 million providing a pre-tax gain of $8.3 million. The remaining holding is 36,012,701 shares. To date, Circadian has sold a total of 18 million Metabolic shares (being the 12 million shares sold in November 2006 and 6 million shares sold in October 2003) for total net proceeds of $14.5 million which had an acquisition value of nil and related cumulative research and development costs expensed by Circadian of approximately $400K.

Obesity drug AOD9604

On 21 February 2007, Metabolic announced that the results of its Phase 2b clinical trial of its obesity drug AOD9604 did not support further clinical development and that the program had been terminated. The company stated that it will focus on its other projects, including ACV1 for neuropathic pain and AOD9604 for osteoporosis, as well as extending the application of its Oral Peptide Delivery Platform to other drugs.

Pain drug ACV1

Metabolic acquired a license to the ACV1 technology from the inventors in late 2003. ACV1 is a 16 amino acid peptide compound found in the venom of the Australian marine cone snail, Conus victoriae. Cone snails have evolved a rich cocktail of peptides in their venom, which act together by a variety of mechanisms in the nervous system to quickly immobilise or kill their prey. These peptides are known as conotoxins, and have been shown in animal models to have potential in the treatment of pain.

Metabolic announced completion of the Phase 1 human clinical trials of ACV1 in November 2005, and commenced a Phase 2a trial in September 2006. This 40 patient study, the first of two Phase 2a trials designed to investigate the safety and efficacy of ACV1, will examine the effects of the drug in patients with neuropathic sciatic pain. Metabolic reported in July 2007 that this trial has been completed and that the data from the trial are being analysed and interpreted with a full report expected to be made public by mid-August 2007.

In addition to this trial, Metabolic commenced a second Phase 2a human clinical trial on ACV1, designed to investigate the safety and tolerability of ACV1 in 60 patients with two additional types of neuropathic pain, diabetic neuropathic pain and post-herpetic neuralgia. Metabolic expects to complete this trial in the first half of 2008.

Metabolic's public announcements, which can be found on www.asx.com.au (ASX code: MBP) and www.metabolic.com.au, and its annual report for 30 June 2007 once released, should be read in conjunction with this report.

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Antisense Therapeutics Limited - Gene Directed Therapeutics

Circadian Holding 30 June 2007 – Market Value: $3.6 million; Acquisition value: $2.8 million
Shareholders: Circadian: 19.3%; Syngene: 10.2%; Others: 70.5%

Company Background

In December 2001, Circadian listed Antisense Therapeutics Limited on the Australian Stock Exchange.

Antisense Therapeutics aims to develop a new class of drugs known as antisense compounds – synthetic compounds designed to block disease processes by specifically targeting messenger RNA.

Through its strategic partnership with US-based Isis Pharmaceuticals Inc, Antisense Therapeutics has access to Isis' antisense technology to commercialise antisense drugs including an exclusive license to ATL1102 for Multiple Sclerosis. In February 2007, Antisense Therapeutics announced that the Isis collaboration had been extended for a further two years.

ATL1102 for multiple sclerosis

ATL1102 is a second-generation antisense inhibitor of VLA-4, and is currently in Phase 2 human clinical trials for Multiple Sclerosis (MS).

MS is a life-long, chronic disease that progressively destroys the central nervous system (CNS). In MS, white blood cells are believed to inappropriately migrate from the blood into the CNS, with VLA-4 believed to be involved in the process. The inhibition of VLA-4 by ATL1102 may therefore prevent white blood cells from entering the CNS to potentially slow the progression of MS.

Biogen Idec has developed and is marketing an antibody inhibitor (Tysabri®) to the same target, VLA-4. This has shown very good results in treating MS, lending support to VLA-4 as a valid target in MS. Tysabri® has been restored to the market by the US FDA after having been earlier withdrawn over concerns related to potential side effects.

Dosing in the Phase 2 trial commenced in June 2006, and in June 2007, Antisense Therapeutics announced that 40 patients had been enrolled into the Phase 2 trial – half the quota of patients anticipated for this trial. Antisense Therapeutics is currently enrolling this 80 patient trial to assess the safety and efficacy of ATL1102 in relapsing remitting MS patients in six countries (Poland, Czech Republic, Bulgaria, Romania, Slovak Republic and Germany). Antisense Therapeutics has previously advised that they anticipated the results should be reported in the 4th quarter of 2007.

ATL1103 for growth and sight disorders

ATL1103 is a second generation antisense drug which aims to block growth hormone receptor (GHr) expression thereby reducing levels of the hormone insulin-like growth factor-I (IGF-I) in the blood and is a potential treatment for diseases associated with excessive growth hormone action. These diseases include acromegaly (an abnormal growth disorder of organs, face, hands and feet) and diabetic retinopathy.

Antisense Therapeutics has reported that ATL1103 significantly reduced IGF-I levels in the blood in laboratory models, and that it is able to reduce retinal neovascularisation (the growth of abnormal new blood vessels in the eye).

In December 2006, Antisense Therapeutics reported that it is planning to further develop ATL1103 for growth and sight disorders. Sufficient quantities of the drug will be manufactured for pre-clinical safety and initial human clinical trials which will then be formulated into injectable product to be used in the toxicology studies planned for the second half of 2007.

Other Research Projects

Antisense Therapeutics is also evaluating ATL1102 for its potential in the treatment of asthma.

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Antisense Therapeutics' public announcements, which can be found on www.asx.com.au (ASX code: ANP) and www.antisense.com.au, and its annual report for 30 June 2007 once released, should be read in conjunction with this report.

Optiscan Imaging Limited - Early Cancer Detection

Circadian Holding 30 June 2007 - Market Value: $3 million; Acquisition value: $371K
Shareholders: Circadian: 6.2%; Others: 93.8%

Company Background

In August 1997, Circadian listed Optiscan Imaging Limited on the Australian Stock Exchange.

Optiscan is an Australian company that has developed and patented miniaturised confocal microscopes, with particular emphasis on the application of microscopic imaging technologies in medical markets.

Confocal microscopes are powerful laser scanning microscopes that provide high resolution, high magnification images of specimens. They can provide magnification of more than 1000 times, compared to conventional magnification in the order of 10 to 20 times. Optiscan has miniaturised the microscope's scanning head, such that it is now so small it can fit inside the body. While this technology creates a vast array of new applications, both medical and industrial, Optiscan's primary focus remains in the medical arena.

Optiscan has licensed its technology to six major confocal microscope manufacturers. These licenses do not permit use of the technology for the medical endomicroscopes, which remain the core focus of Optiscan's research and development.

Flexible Endo-microscope

The flexible endo-microscope is a miniaturised confocal microscope in the form of a thin, flexible tube. Its design enables it to be deployed inside the body for diagnosis and monitoring of diseases such as colon cancer, ulcerative colitis, gastric intestinal metaplasia, Celiac's disease, non-erosive reflux disease and collagenous colitis. The product has been jointly developed with Pentax, who have exclusive rights to the use of the technology in the field of flexible endoscopy.

In July 2006, Optiscan reported that the Johns Hopkins Hospital, USA, and Mainz University Hospital, Germany, had announced a trans Atlantic collaboration on the use of endomicroscopy to improve early stage cancer diagnosis and in June 2007 it was reported that John Hopkins Hospital is actively recruiting for an improved cancer diagnosis trial to determine if confocal laser endomicrsocopy can improve detection of Barrett's esophagus, dysplasia and early esophageal cancer.

Optiscan also reported in June 2007 that it had executed a new Development Agreement with Pentax whereby Pentax has committed up to an additional $7 million for further developments in endomicroscopy and to obtain additional insurance reimbursement for endomicroscopic procedures in major markets of Europe and USA.

Rigid Endoscope

The same technologies that drive the flexible endo-microscope system can be embodied in the form of rigid, handheld probes for use in open or minimally invasive surgical applications. Rigid endoscopes have potential use in examining relatively easily accessible regions in the body, including possible applications in gynaecology, orthopaedics, head and neck cancer, urology and keyhole surgery.

Optiscan's product FIVE 1 rigid probe (a handheld fluorescence in vivo endo-microscope) is for research use, particularly in pre-clinical studies.

In August 2006, Optiscan announced the commencement of pilot clinical trials of rigid endomicroscopes, at Bankstown Lidcombe Hospital, in Australia and Mainz University Hospital, in Germany. Doctors have collected endomicroscope images from patients during open surgery and laparoscopic procedures.

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In July 2007, Optiscan announced that it had signed a collaboration deal with the Carl Zeiss Group in the field of rigid endoscopes. The Carl Zeiss Group will secure exclusive use of Optiscan technology for clinical rigid endo-microscope applications in their core market segments, and will fund market development and sales of "ZEISS" branded instruments produced by Optiscan. Optiscan retains rights to separately commercialise other segments of the rigid endo-microscope market. The total value of the agreement to Optiscan in milestone payments and product sales is up to $20 million over the initial five years.

Optiscan's public announcements, which can be found on www.asx.com.au (ASX code: OIL) and www.optiscan.com and its 30 June 2007 annual report once released, should be read in conjunction with this report.

Zenyth Therapeutics Limited (formerly Amrad Corporation Limited)

Circadian previously owned 22.6% of Zenyth Therapeutics Limited, a drug discovery and development company based in Melbourne.

On 17 July 2006, CSL Limited (Australia's largest biopharmaceutical company) and Zenyth announced a merger proposal under which CSL would acquire 100% of the issued shares in Zenyth by way of a scheme of arrangement. The consideration offered by CSL comprised 82 cents cash per Zenyth share and a pro-rata capital return to Zenyth shareholders of all Zenyth's shareholding in Avexa Limited.

The scheme was subsequently approved by Zenyth's shareholders and the Supreme Court of Victoria. The acquisition was completed on 10 November 2006, with Circadian (through its wholly owned subsidiary Fibre Optics (Aust) Pty Ltd) receiving cash proceeds of $23,176,958 plus 4,706,763 shares in Avexa Limited.

During the current year Circadian recorded a pre-tax gain of $7,548,983 on the disposal of its holding in Zenyth to CSL and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 – resulting in a total pre-tax gain of $12,623,847.

Avexa Limited – Anti-infectives

Circadian Holding 30 June 2007 - Market Value: $8.6 million; Acquisition value: $6 million
Shareholders: Circadian: 3.4%; Others: 96.6%

Company Background

Avexa Limited was formed by the demerging and listing of the anti-infectives business from Amrad Corporation Limited (renamed Zenyth Therapeutics Limited) in July 2004. As a shareholder in Amrad, Circadian (through its wholly owned subsidiary Fibre Optics (Aust) Pty Ltd) received 14.1 million shares in Avexa representing 17.6% of the issued capital of that company in the demerger.

Subsequent to that, Circadian has subscribed to an additional 17.3 million ordinary shares in capital raisings and rights issues by Avexa (including 7.5 million shares in the current financial year), plus 4.7 million shares received pursuant to the acquisition of Zenyth by CSL Limited. In the current financial year, Circadian sold 22.5 million ordinary shares in Avexa for a net consideration of $13.9 million, bringing its current holding to 13.7 million shares.

Avexa's business is the discovery and development of anti-infective pharmaceutical medicines for the treatment of serious human infectious diseases. Its principal research programs focus on the discovery of innovative medicines for the treatment of the diseases caused by human immunodeficiency virus (HIV) and vancomycin- and methicillin-resistant bacteria.

Apricitabine

Apricitabine is a nucleoside reverse transcriptase inhibitor licensed from the global specialty pharmaceutical company Shire Pharmaceuticals Group plc. It is currently in Phase 2b human clinical trials for treatment of drug-resistant HIV. In March 2007, Avexa reported successful results from the 21 day dosing program in this trial, with

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the company expecting to announce 24 week data results in the third quarter of 2007. Avexa is aiming to initiate sites for the Phase 3 trial in the fourth quarter of 2007.

In January 2007, Avexa announced that it had exclusively licensed North American rights to apricitabine from Shire Pharmaceuticals for an upfront payment of US$10 million plus an additional 8 million escrowed shares in Avexa, with the license deal also including undisclosed milestones and royalties. Avexa now has worldwide rights to market apricitabine.

Other projects

Avexa also has pre-clinical programs including HIV Integrase as a target in HIV therapy, and an antibacterial program targeting drug resistance.

In April 2007, Avexa announced the completion and formalisation of a licensing and collaboration agreement on a HIV drug program with TargetDrug of Shanghai, based on the development of inhibitors for the treatment of HIV infections based on compounds discovered by TargetDrug.

For further information regarding the progress of Avexa's operations, see its public announcements which can be found on www.asx.com.au (ASX code: AVX) and www.avexa.com.au and its 30 June 2007 annual report once released.

INHERENT RISKS OF INVESTMENT IN BIOTECHNOLOGY COMPANIES

Some of the risks inherent in the development of a product to a marketable stage include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of the necessary drug regulatory authority approvals and difficulties caused by the rapid advancements in technology. Also a particular compound may fail the clinical development process through lack of efficacy or safety. Companies such as Circadian are dependent on the success of their research projects and technology investments. Investment in research projects and technology-related companies cannot be assessed on the same fundamentals as trading and manufacturing enterprises. Thus investment in these areas must be regarded as speculative taking into account these considerations.

This annual report may contain forward-looking statements regarding the potential of the Group's projects and interests and the development and therapeutic potential of the Group's research and development. Any statement describing a goal, expectation, intention or belief of the Group is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercialising drugs that are safe and effective for use as human therapeutics and the financing of such activities. There is no guarantee that the Group's research and development projects and interests (where applicable) will receive regulatory approvals or prove to be commercially successful in the future. Actual results of further research could differ from those projected or detailed in this report. As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these and other risks concerning the Group's research and development program referred to in this annual report for the period ended 30 June 2007.

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CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

ABN 32 006 340 567

Annual Financial Report

for the year ended 30 June 2007

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Independent auditor's report to the members of Circadian Technologies Limited

We have audited the accompanying financial report of Circadian Technologies Limited and the entities it controlled during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 7 to 14 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

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. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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 and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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.

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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 and the remuneration disclosures, 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.

Auditor's Opinion
In our opinion:

1. the financial report of Circadian Technologies Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

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

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) other mandatory financial reporting requirements in Australia.

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

3. the remuneration disclosures that are contained on pages 7 to 14 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

Joanne Lonergan
Partner
Melbourne
14 August 2007

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BALANCE SHEET

AS AT 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
ASSETS					
Current Assets					
Cash and cash equivalents	11	48,193,383	14,607,460	30,779,151	14,248,389
Receivables	12	313,112	112,241	210,902	76,967
Prepayments		191,649	401,660	42,267	41,438
Intercompany receivables	27	-	-	-	20,135,688
Other financial assets	13	14,213	53,718	-	-
		48,712,357	15,175,079	31,032,320	34,502,482
Asset classified as held for sale	14	-	13,284,354	-	-
Total Current Assets		48,712,357	28,459,433	31,032,320	34,502,482
Non-Current Assets					
Financial investments and subsidiaries	15	16,118,504	26,739,165	29,585,578	1,926,818
Investments in associates	16	1,755,615	2,383,787	-	-
Intercompany receivables	27	-	-	235,057	3,444,665
Deferred tax asset	9	190,327	1,231,854	186,004	5,386,110
Plant and equipment	17	81,877	44,808	80,202	44,808
Goodwill	18	-	149,218	-	-
Total Non-Current Assets		18,146,323	30,548,832	30,086,841	10,802,401
TOTAL ASSETS		66,858,680	59,008,265	61,119,161	45,304,883
LIABILITIES					
Current Liabilities					
Payables	19	2,332,337	944,685	381,685	655,506
Intercompany payables	27	-	-	3,700,090	159,615
Income tax payable		355,497	-	355,497	-
Provisions	20	417,290	367,817	417,290	367,817
Total Current Liabilities		3,105,124	1,312,502	4,854,562	1,182,938
Non-Current Liabilities					
Deferred tax liability	9	2,759,206	968,883	29,296	9,468
Provisions	21	28,643	36,304	28,643	36,304
Total Non-Current Liabilities		2,787,849	1,005,187	57,939	45,772
TOTAL LIABILITIES		5,892,973	2,317,689	4,912,501	1,228,710
NET ASSETS		**60,965,707**	**56,690,576**	**56,206,660**	**44,076,173**
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	22	33,167,977	33,167,977	33,167,977	33,167,977
Retained earnings	23	15,031,677	3,828,295	21,397,036	9,912,756
Reserves	23	7,645,796	19,594,825	1,641,647	995,440
Parent interests		55,845,450	56,591,097	56,206,660	44,076,173
Minority interests	24	5,120,257	99,479	-	-
TOTAL EQUITY		**60,965,707**	**56,690,576**	**56,206,660**	**44,076,173**

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

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INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Finance revenue		2,042,919	1,099,054	1,694,727	2,514,481
Investment income		27,679,172	-	-	-
Dividends		-	-	10,200,000	4,600,000
Other revenue		163,796	22,500	322,554	22,500
Revenue	6	29,885,887	1,121,554	12,217,281	7,136,981
Other income	7	390,507	38,765	4,639,805	1,815,209
Research and development expenses	26	(3,137,922)	(1,080,297)	-	-
Intellectual property costs	8(a)	(7,899,850)	-	-	-
Patent expenses	8(b)	(2,011,963)	(410,174)	-	(7,909)
Administrative expenses		(3,885,820)	(2,635,627)	(3,628,484)	(2,587,626)
Occupancy expenses		(116,872)	(112,785)	(116,872)	(112,785)
Impairment losses	8(c)	(39,504)	(729,169)	-	(544,987)
Impairment of receivables from subsidiaries		-	-	(1,553,672)	(883,172)
Share of net loss of associates	16(f)	(975,930)	(1,655,088)	-	-
Impairment of goodwill	18	(149,218)	(76,947)	-	-
Finance costs	8(d)	-	(96,851)	-	(351,624)
Other	8(e)	(40,862)	(538,689)	50,635	(538,689)
Profit/(loss) before income tax		**12,018,453**	**(6,175,308)**	**11,608,693**	**3,925,398**
Income tax expense	9	(5,722,746)	(340,093)	(124,413)	(843,012)
Net profit/(loss) for the year		**6,295,707**	**(6,515,401)**	**11,484,280**	**3,082,386**
Attributable to:					
Minority interests		(4,907,675)	(42,934)	-	-
Members of the parent	23	11,203,382	(6,472,467)	11,484,280	3,082,386

	Note	Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the parent:	10		
- basic earnings/(loss) per share		27.92	(16.13)
- diluted earnings/(loss) per share		27.74	(16.06)

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

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

		Attributable to equity holders of the parent				*Minority interest*	*Total equity*
CONSOLIDATED	*Note*	*Issued capital* $	*Retained earnings* $	*Other reserves* $	*Total* $	$	$
At 1 July 2005		**33,167,977**	**10,001,318**	**1,729,815**	**44,899,110**	**142,413**	**45,041,523**
Net unrealised gains on non-current listed investments on adoption of AASB 139	23(b)	-	-	22,910,767	22,910,767	-	22,910,767
Net unrealised losses on non-current listed investments for the year	23(b)	-	-	(5,944,969)	(5,944,969)	-	(5,944,969)
Net unrealised gain for the year on current asset classified as held for sale	23(b)	-	-	1,088,186	1,088,186	-	1,088,186
Total unrealised fair value adjustments		-	-	18,053,984	18,053,984	-	18,053,984
Net loss on new share issue by associate	23(b)	-	-	(42,801)	(42,801)	-	(42,801)
Reversal of tax liability on investment in associate	23(b)	-	-	358,457	358,457	-	358,457
Total income and expense for the year recognised directly in equity		**-**	**-**	**18,369,640**	**18,369,640**	**-**	**18,369,640**
Loss for the year		-	(6,472,467)	-	(6,472,467)	(42,934)	(6,515,401)
Impairment loss on investment in associate on adoption of AASB 139 by associate	23(a)	-	(357,446)	-	(357,446)	-	(357,446)
Total recognised income and expense for the year		**-**	**(6,829,913)**	**18,369,640**	**11,539,727**	**(42,934)**	**11,496,793**
Cost of share-based payment	23(b)	-	-	152,260	152,260	-	152,260
Transfer from reserves	23(b)	-	656,890	(656,890)	-	-	-
At 30 June 2006		**33,167,977**	**3,828,295**	**19,594,825**	**56,591,097**	**99,479**	**56,690,576**
At 1 July 2006		**33,167,977**	**3,828,295**	**19,594,825**	**56,591,097**	**99,479**	**56,690,576**
Net gains on non-current listed investments for the year	23(b)	-	-	5,531,858	5,531,858	-	5,531,858
Realised gains on non-current listed investments transferred to the income statement	23(b)	-	-	(12,002,931)	(12,002,931)	-	(12,002,931)
Realised gain on held for sale investment transferred to the income statement	23(b)	-	-	(1,088,186)	(1,088,186)	-	(1,088,186)
Net gain on new share issue by associate	16	-	-	202,476	202,476	-	202,476
Total income and expense for the year recognised directly in equity		**-**	**-**	**(7,356,783)**	**(7,356,783)**	**-**	**(7,356,783)**
Profit/(loss) for the year		-	11,203,382	-	11,203,382	(4,907,675)	6,295,707
Total recognised income and expense for the year		**-**	**11,203,382**	**(7,356,783)**	**3,846,599**	**(4,907,675)**	**(1,061,076)**
Cost of share-based payment	23(b)	-	-	646,207	646,207	-	646,207
Capital injection by minority interests	15(b)	-	-	-	-	4,690,000	4,690,000
Acquisition of minority interests	23(b)	-	-	(5,238,453)	(5,238,453)	5,238,453	-
At 30 June 2007		**33,167,977**	**15,031,677**	**7,645,796**	**55,845,450**	**5,120,257**	**60,965,707**

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

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

		Total equity			
PARENT	*Note*	*Issued capital*	*Retained earnings*	*Other reserves*	*Total*
		$	*$*	*$*	*$*
At 1 July 2005		**33,167,977**	**6,830,370**	**843,180**	**40,841,527**
Profit for the year		-	3,082,386	-	3,082,386
Total recognised income and expense for the year		**-**	**3,082,386**	**-**	**3,082,386**
Cost of share-based payment	23(b)	-	-	152,260	152,260
At 30 June 2006		**33,167,977**	**9,912,756**	**995,440**	**44,076,173**
At 1 July 2006		**33,167,977**	**9,912,756**	**995,440**	**44,076,173**
Profit for the year		-	11,484,280	-	11,484,280
Total recognised income and expense for the year		**-**	**11,484,280**	**-**	**11,484,280**
Cost of share-based payment	23(b)	-	-	646,207	646,207
At 30 June 2007		**33,167,977**	**21,397,036**	**1,641,647**	**56,206,660**

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

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Cash flows from operating activities:					
Proceeds from sale of investments		45,343,125	-	-	-
Acquisition of financial investments/ subsidiary		(3,998,880)	(2,152,937)	(21,500,000)	-
Interest received		1,931,833	1,218,004	1,434,247	1,202,170
Receipt of government grants		132,883	57,279	-	-
Royalty and licence income received		175,398	-	-	-
Management fees received		-	-	247,500	-
Dividend income		-	-	10,200,000	4,600,000
Other receipts		24,804	24,750	24,804	24,750
Payments to suppliers, employees and for research & development and intellectual property costs		(10,637,591)	(4,156,979)	(3,244,153)	(2,627,708)
Borrowing costs		-	(80,404)	-	(80,404)
Income tax benefits received		-	49,238	-	-
Net cash flows from/(used in) operating activities	25(a)	32,971,572	(5,041,049)	(12,837,602)	3,118,808
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		700	-	700	-
Purchase of plant and equipment		(66,101)	(16,488)	(64,374)	(16,488)
Receipts on behalf of subsidiaries		-	-	45,343,126	-
Payments on behalf of subsidiaries		-	-	(4,960,840)	(2,847,680)
Repayment of loans from subsidiaries		-	-	(10,200,000)	(4,600,000)
Loans to subsidiaries		-	-	(790,000)	(800,000)
Repayment of loan to subsidiary		-	-	50,000	-
Net cash flows from/(used in) investing activities		(65,401)	(16,488)	29,378,612	(8,264,168)
Cash flows from financing activities:					
Proceeds from issue of shares to minority interest		690,000	-	-	-
Repayment of borrowings		-	(5,000,000)	-	(5,000,000)
Payment of unfranked dividends	(i)	(4,658)	(5,388)	(4,658)	(5,388)
Return of capital to shareholders	(i)	(5,590)	(9,021)	(5,590)	(9,021)
Net cash flows from/(used in) financing activities		679,752	(5,014,409)	(10,248)	(5,014,409)
Net increase (decrease) in cash and cash equivalents		33,585,923	(10,071,946)	16,530,762	(10,159,769)
Cash and cash equivalents at beginning of year		14,607,460	24,679,406	14,248,389	24,408,158
Cash and cash equivalents at end of year	11	48,193,383	14,607,460	30,779,151	14,248,389

(i) Dividends and a return of capital to shareholders were declared during the financial year ended 30 June 2005. The payments of unfranked dividends and return of capital during the current year and the prior year are to those shareholders who were not paid during the financial year ended 30 June 2005 due to their addresses being unknown at that time.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. CORPORATE INFORMATION

The financial report of Circadian Technologies Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 14 August 2007.

Circadian Technologies Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and is presented in Australian dollars. The financial report has also been prepared on a historical cost basis, except for investments classified as available-for-sale, non-current receivables from subsidiaries, non-current payables to subsidiaries, holdings in listed options and other listed investments that are not associates, which have been measured at fair value.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance

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

Except for the amendments to AASB 101 *Presentation of Financial Statements*, which the Group has early adopted, 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 2007.

These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 7 *Financial Instruments: Disclosures.*	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.	1 March 2007	The Group does not enter into Group or Treasury share transactions so the standard is not expected to have any impact on the Group's financial report.	1 July 2007
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements*.	1 January 2008	The Group currently has no service concession arrangements or public-private-partnerships, so the standard is not expected to have any impact on the Group's financial report.	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the standard may have an impact on the Group's segment disclosures the extent of which is yet to be determined.	1 July 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRS should be included in the Australian equivalents to IFRS and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These Amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 July 2007

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Group
AASB 2007-5	Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]	This Standard makes amendments to AASB 102 *Inventories*.	1 July 2007	This amendment only relates to Not-for-Profit Entities and as such will not have any impact on the Group's financial report.	1July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs*.	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 July 2007
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and AASB 132 *Financial Instruments: Disclosure and Presentation*.	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	*Operating Segments*	New standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 123 (amended)	*Borrowing Costs*	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Group
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	Addresses an inconsistency between AASB 134 *Interim Financial Reporting* and the impairment requirements relating to goodwill in AASB 136 *Impairment of Assets* and equity instruments classified as available for sale in AASB 139 *Financial Instruments: Recognition and Measurement*.	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139, which are to take precedence over the more general statement in AASB 134, are not expected to have any impact on the Group's financial report as they are consistent with the Group's current interpretation of the requirements of the relevant Accounting Standards.	1 July 2007
AASB Interpretation 11	*Company and Treasury Share Transactions*	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2 *Share-based Payment*. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.	1 March 2007	Refer to AASB 2007-1 above.	1 July 2007
AASB Interpretation 12	*Service Concession Arrangements*	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Refer to AASB 2007-2 above.	1 July 2008
IFRIC Interpretation 13	*Customer Loyalty Programmes*	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation will not have any impact on the Group's financial report.	1 July 2008
IFRIC Interpretation 14	*IAS 19 - The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements*	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does not have a defined benefit pension plan and as such this interpretation will not have an impact on the Group's financial report.	1 July 2008

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Circadian Technologies Limited and its subsidiaries (the Group) as at 30 June each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits over 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 financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully 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 purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in CancerProbe Pty Ltd and Vegenics Limited not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet. Vegenics Limited was incorporated by Circadian on 10 January 2006 for the purpose of forming a collaboration between Circadian, the Ludwig Institute for Cancer Research (Ludwig) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia), in respect of molecules known as vascular endothelial growth factors (VEGF). This collaboration became effective on 4 July 2006, on which day shares were issued to each of Circadian, Ludwig and Licentia. See note 15(b) for further details.

(d) Cash and cash equivalents

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

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

(e) Current receivables

Receivables generally comprise bank interest receivable, receivable from an associated entity and GST credits receivable, and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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

(f) Non-current assets held for sale

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Non-current assets held for sale (continued)

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

(g) Investments and other financial assets (except listed options)

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either available-for-sale investments, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(i) Available-for-sale investments
Available-for-sale investments comprise the Group's current and non-current investments in listed companies. After initial recognition, investments which fall within the definition of available-for-sale are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, 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 value of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is 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.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Non-current receivables comprise loans receivable from subsidiaries which are not interest bearing. Such assets are carried at amortised cost using the effective interest method and have been calculated by discounting the principal amounts over the relevant term using the relevant LIBOR rate which matches that term as closely as possible. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The parent has agreed that the loans with its subsidiaries will not be recalled for a period of 12 months from the date the directors adopt the relevant annual financial statements of the Group, Parent and subsidiaries.

(h) Listed options

In accordance with AASB 139 *Financial Instruments: Recognition and Measurement,* the Group's holding of listed options falls within the definition of a derivative. The Group's listed options are measured at fair value and any gains or losses arising from changes in their fair value are taken directly to net profit or loss for the year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Available-for-sale investments
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit.

(ii) Financial assets carried at amortised cost
Intercompany loans receivable from subsidiaries in the parent's accounts are financial assets carried at amortised cost. If there is objective evidence that an impairment loss on intercompany loans receivable carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(j) Investments in subsidiaries

Investments in subsidiaries are carried at cost. If there is objective evidence that an impairment loss has been incurred on investments in subsidiaries, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Any subsequent reversal of an impairment loss is recognised in profit or loss.

(k) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. 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 the associates. Impairment loss arises where the carrying value of the investment exceeds its fair value. Where the investment in associate is a listed investment, fair value is the quoted market bid price for that asset at balance date. The amount of impairment loss is the difference between fair value and carrying value.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investments in associates (continued)

Where the investment is an unquoted investment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Any subsequent reversal of an impairment loss is recognised in profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in equity and 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 relevant parent entity's income statement, 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.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(l) Interest in a jointly controlled operation

The Group enters into agreements with universities and research institutes for pharmaceutical research and development projects which are considered "joint venture" arrangements. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity (normally pharmaceutical research) that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interests in jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(m) Plant and equipment

Plant and equipment are measured at cost and are depreciated on a straight-line basis over their useful economic lives as follows:

Equipment and furniture	- 3 to 10 years
Leasehold improvements	- 8 years

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

Disposal

An item of plant and equipment is derecognised upon disposal or when no further 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 asset) is included in profit or loss in the year the asset is derecognised.

(n) 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

The Group had no finance leases during the 2007 and 2006 financial years.

(o) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the policy relating to impairment re investments in associates, see note 2(k) above. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(p) 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 acquiree's identifiable assets, liabilities and contingent liabilities.

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

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing whether the subsidiary carrying on research and development activities has met its research and development milestones and also by looking at other qualitative aspects of the research and development project.

Impairment losses recognised for the goodwill are not subsequently reversed.

(q) Intangible assets

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Intangible assets (continued)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis. At year end the Group did not have any intangible assets.

(r) Intellectual property costs

Amounts incurred for rights to or acquisition of intellectual property are expensed in the year in which they are incurred to the extent that such intellectual property is used for research and development activities.

(s) Research and development costs

Research costs are expensed as incurred.

An intangible asset arising from the development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

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

(t) Payables

Payables are carried at amortised cost and 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.

(u) Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

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 balance sheet date.

Parent's current payables include loans from subsidiaries which are not interest bearing. The relevant subsidiaries have agreed that the loans to the parent will not be recalled for a period of 12 months from the date the directors adopt the annual financial statements of the parent.

Borrowing costs
Borrowing costs are recognised as an expense when incurred.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(w) Share-based payment transactions

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

There are currently two plans in place to provide these benefits:

(i) the Employee Share Option Plan (ESOP), which provides benefits to employees; and
(ii) the Performance Rights Plan, which provides benefits to certain key management personnel.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer. A binomial model or the monte carlo simulation, as appropriate, are used for options issued.

In valuing transactions settled by way of issue of options, no account is taken of any performance (or vesting) conditions, other than conditions linked to the price of the shares of Circadian Technologies Limited (market conditions).

The cost of the equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance 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 report date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

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

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. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are met.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Share-based payment transactions (continued)

Where the terms of the 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.

Where 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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(x) 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.

(y) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that 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.

(i) Interest income
Almost all of the Group's interest income is earned on short-term bank deposits and as such interest income is recognised when the Group's right to receive the payment is established.

(ii) Dividends
Revenue is recognised when the Group's right to receive the payment is established.

(z) Income tax

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

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

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

- when 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
- when 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 assets (or 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:

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Income tax (continued)

- 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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.

Tax consolidation legislation

Circadian Technologies Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004.

The head entity, Circadian Technologies Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Members of the tax consolidated group have adopted the "separate taxpayer within group" method to allocate the current and deferred tax amounts to each entity within the group. This method requires adjustments for transactions and events occurring within the tax consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group.

In addition to its own current and deferred tax amounts, Circadian Technologies Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The head entity, which is the parent entity, in assuming the net unused tax losses and unused relevant tax credits, has recognised reductions to investments in subsidiaries and where the amount of tax losses assumed is in excess of the carrying value of the investment, the parent has recognised the difference as a distribution from subsidiary in the income statement.

(aa) Other taxes

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Other taxes (continued)

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

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

(ab) Government grants

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

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity. All grants during the years ended 30 June 2007 and 30 June 2006 relate to expense items.

(ac) Earnings per share

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

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

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

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets comprise cash, short-term deposits and financial investments (listed shares and listed options). The Group had a fixed interest borrowing which was repaid in the prior financial year.

The Group's other various financial assets and liabilities, such as receivables and payables, arise directly from its operations. The main risks arising from the Group's financial assets and liabilities are cash flow interest rate risk, market rate risk and liquidity risk. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Cash flow interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term deposits. These deposits are held with one of Australia's largest banks. Cash flow interest rate risk is not considered significant.

Market rate risk
Investments in listed shares and options are exposed to market rate risk and as such their fair values are exposed to fluctuations as a result of changes in market prices.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk
During the year, the Group's exposure to foreign currency risk was moderate. As a result of services predominantly provided by non-related entities in the United States, part of the Group's payables can be affected by movements in the US$/A$ exchange rates. The Group's exposure to foreign currency risk is moderate and does not seek to hedge this exposure.

Credit risk
Credit risk is associated with those financial assets of the Group which comprise cash and cash equivalents, listed investments and listed options. The Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these investments. Credit risk is considered minimal.

Since the Group transacts only with recognised third parties, there is no requirement for collateral.

Liquidity risk
The Group's objective is to maintain an appropriate cash asset balance to fund its operations.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Recovery of deferred tax assets
Unrealised capital gains tax (CGT) loss on certain investments have not been recognised as deferred tax assets as it has been determined that at the date of this report it is not probable that future CGT gains will be realised before the CGT losses are realised.

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

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. The method used to estimate the recoverable amount of goodwill with an indefinite useful life is discussed in note 2(p) above.

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 by an external valuer using the models and assumptions as described in note 29. 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

5. SEGMENT INFORMATION

The consolidated entity operates predominantly in one industry and one geographical segment, those being the medical technology and healthcare industry and Australia respectively.

The Group aims to deliver value to its shareholders through sourcing, incubating and commercialising high quality biomedical research. The Group's activities include the management and funding of pharmaceutical research and development projects with universities and research institutes to the stage where the Group seeks collaborative and/or licensing arrangements with pharmaceutical companies or lists a project/projects in a separate entity on the Australian Stock Exchange. The Group's activities also include investment in leading edge Australian technology entities (listed and unlisted).

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
6. REVENUE				
(a) Finance revenue				
Interest from:				
- Bank	2,015,650	1,071,422	1,473,421	1,056,443
- Related party - associated company	27,249	27,249	27,249	27,249
- Related party - wholly owned subsidiaries	-	-	194,057	1,430,789
- Other unrelated persons	20	383	-	-
	2,042,919	1,099,054	1,694,727	2,514,481
(b) Investment income				
Net gain on sale of investments (i)	27,679,172	-	-	-
(c) Dividends				
Unfranked – wholly owned subsidiaries	-	-	10,200,000	4,600,000
(d) Other revenue				
Management fees (note 27(b)(iii))	-	-	300,000	-
Royalty & licence fees	141,242	-	-	-
Other revenue items	22,554	22,500	22,554	22,500
	163,796	22,500	322,554	22,500
Total revenue	29,885,887	1,121,554	12,217,281	7,136,981

(i) The net gain on sale of investments of $27,679,172 comprises the following:

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

6. REVENUE (continued)

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
Investment in Metabolic Pharmaceuticals Limited:				
Net proceeds from sale of shares	8,285,760	-	-	-
Cost of shares sold	-	-	-	-
Net gain on sale of shares	8,285,760	-	-	-

The sale relates to 12,000,000 ordinary shares in Metabolic Pharmaceuticals Limited, sold on 29 November 2006. The Group retains 36,012,701 shares in Metabolic after the sale of the shares.

Investment in Zenyth Therapeutics Limited:				
Gross cash proceeds from disposal of investment	23,176,958	-	-	-
Value of in-specie distribution of Avexa shares (note15(a)(iii))	1,176,691	-	-	-
	24,353,649	-	-	-
Cost of disposed investment	(16,804,666)	-	-	-
Gain on disposal of investment	7,548,983	-	-	-
Recoupment of impairment losses recognised in retained earnings	5,074,864	-	-	-
Total	12,623,847	-	-	-

During the year, the Supreme Court of Victoria approved the scheme of arrangement between Zenyth Therapeutics Limited (Zenyth) and its shareholders under which all Zenyth shares were transferred to CSL Limited (CSL) in consideration of CSL paying Zenyth shareholders 82 cents per Zenyth share plus an in-specie distribution of Avexa Limited shares owned by Zenyth (1 Avexa share for every 6 Zenyth shares held). The Avexa share price on the effective day of distribution of those shares was 25 cents.

The impairment losses of $5,074,864 recognised in retained earnings reflect the difference between the market value of the Group's holding in Zenyth at 30 June 2005 and the cost of the Zenyth holding at 30 June 2005 (whereby the cost exceeded the market value). Also see note 14.

Investment in Avexa Limited:				
Net proceeds from sale of shares	13,880,407	-	-	-
Cost of shares sold	(7,521,752)	-	-	-
Gain on sale of shares	6,358,655	-	-	-
Recoupment of impairment losses recognised in retained earnings	410,910	-	-	-
Total	6,769,565	-	-	-

The sale relates to 22,489,836 ordinary shares in Avexa Limited, sold during the period from 24 January 2007 to 25 June 2007. The Group retains 13,667,914 shares in Avexa after the sale of the shares.

Prior to 1 July 2005, the investment in Avexa Limited was carried at the lower of cost or market value. At 30 June 2005, total impairment losses of $4,411,119 (whereby the cost exceeded the market value) were recognised through profit or loss (this relates to 19,132,292 Avexa shares). Of the 22,489,836 shares sold during the year, 5,464,378 shares are from the parcel which recognised the impairment loss in the 30 June 2005 year. As such, the recoupment of impairment losses of $410,910 relates to this parcel of shares. Also see note 15.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

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	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
7. OTHER INCOME				
Reversal of impairment of receivable from subsidiary	-	-	4,110,782	1,340,664
Distributions from subsidiaries (note 9(f))	-	-	513,091	225,127
Gain on discount of loans from subsidiaries	-	-	-	254,773
Government grant income	153,888	45,394	-	-
Net foreign exchange gains/(losses)	236,619	(6,629)	15,932	(5,355)
	390,507	38,765	4,639,805	1,815,209
8. EXPENSES				
(a) Intellectual property costs	(7,899,850)	-	-	-

Intellectual property costs of $7,899,850 comprises the following:

- an amount of $4 million relating to a patent portfolio in accordance with an agreement between Vegenics Limited (Circadian's subsidiary), the Ludwig Institute for Cancer Research (Ludwig) and Licentia Limited (Licentia) – also see note 2(c) and note 15(b). As the intellectual property provided under this agreement will be used for research and development activities, in accordance with Vegenics' company policy, the costs for this intellectual property have been expensed in profit or loss. Upon Vegenics completing in excess of a $16 million capital raising on 2 April 2007, the intellectual property under the agreement between Vegenics, Ludwig and Licentia was assigned to Vegenics as were the licenses between Ludwig and its licensees of which Vegenics now receives/earns milestone income.
- an amount of $2,631,925 relating to an agreement with CoGenesys Inc which provides Vegenics with rights to intellectual property in the field of VEGF-C (vascular endothelial growth factors C), and complements the Vegenics patent portfolio covering VEGF-C and VEGF-D and antagonists to these molecules, developed by Ludwig and Licentia.
- an amount of $1,267,925 paid to CoGenesys Inc in accordance with the agreement with CoGenesys relating to the acquisition of certain rights to Cambridge Antibody Technologies plc human monoclonal antibodies that target VEGF-C.

(b) Patent expenses	(2,011,963)	(410,174)	-	(7,909)

Patent expenses include an amount of $1,848,966 incurred by Vegenics, which includes patent costs and patent attorney fees incurred in respect of the patent families assigned to Vegenics by Ludwig and Licentia, and patent fees relating to the license agreement with CoGenesys (also see (a) above and note 15(b)).

(c) Impairment losses				
Listed options	(39,851)	(179,329)	-	-
Other listed financial asset	347	(4,853)	-	-
Loan to associate (note 16)	-	(544,987)	-	(544,987)
	(39,504)	(729,169)	-	(544,987)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

8. EXPENSES (continued)

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(d) Finance costs				
Bill facility (i):				
- Bank charges	-	(8,361)	-	(8,361)
- Interest expense	-	(88,490)	-	(88,490)
	-	(96,851)	-	(96,851)
Interest expense – subsidiaries	-	-	-	(254,773)
	-	(96,851)	-	(351,624)

(i) Finance costs in the prior year relate to a bill facility of $5,000,000 secured from the Commonwealth Bank of Australia in October 2004 for a term of twelve months at a fixed bill rate of approximately 5.8%. The bill facility was repaid at the end of the twelve month term in October 2005.

The Company obtained this borrowing to partly fund the 38 cents per share capital return paid to shareholders in October 2004. The borrowing reflects discussions with the Australian Taxation Office prior to the issuance of the Class Ruling confirming that the return of capital would not be a dividend for income tax purposes.

(e) Other				
Formation of research collaboration (i)	(15,202)	(538,689)	(15,202)	(538,689)
Other	(25,660)	-	65,837	-
	(40,862)	(538,689)	50,635	(538,689)

(i) Circadian announced on 1 May 2006 that it had formed a collaboration with the Ludwig Institute for Cancer Research (Ludwig) and Licentia Ltd, a commercial arm of the University of Helsinki. The collaboration is to develop and commercialise the intellectual property and technology of Ludwig and Licentia in respect of molecules known as vascular endothelial growth factors (VEGF). Licence and Shareholder Agreements became effective on completion of the conditions precedent. The last condition precedent was the completion of patent and legal due diligence to the satisfaction of the Circadian board which occurred on 29 June 2006. A significant portion of the costs incurred in the 2006 financial year relate to due diligence work performed including legal fees, patent attorney fees in respect to the review of the patents (comprising a family of 160 granted patents in the US, Europe, Japan and Australia and over 500 pending patent applications worldwide). Also see (a) and (b) above.

(f) Other expenses included in the Income Statement				
Included in occupancy expenses:				
- Operating lease rentals	87,846	87,504	87,846	87,504
Included in administrative expenses:				
- Depreciation of:				
Equipment and furniture	24,219	12,491	24,167	12,491
Leasehold improvements	1,196	1,198	1,196	1,198
Total depreciation expense	25,415	13,689	25,363	13,689

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

8. EXPENSES (continued)

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(f) Other expenses included in the Income Statement (continued)				
- Employee benefits expense:				
Salaries and fees	1,779,027	1,593,324	1,779,027	1,593,324
Cash bonuses	187,500	-	187,500	-
Superannuation	187,974	150,806	187,974	150,806
Share-based payments expense (note 29)	646,207	152,260	646,207	152,260
Other employee benefits expense	187,401	176,775	187,401	176,775
Total employee benefits expense	2,988,109	2,073,165	2,988,109	2,073,165

9. INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

Income Statement

Current income tax				
Current income tax charge/(benefit)	5,114,740	-	(332,614)	-
Adjustments in respect of tax losses of previous years	(56,855)	-	(60,520)	-
Deferred income tax				
Relating to origination and reversal of temporary differences (d)	664,861	345,922	517,547	843,012
Income tax benefit received	-	(5,829)	-	-
Income tax expense reported in the income statement (c)	5,722,746	340,093	124,413	843,012

(b) Amounts charged or credited directly to equity

Deferred income tax related to items charged or credited directly to equity				
Net unrealised gain/(loss) on listed investments	(2,535,399)	6,962,146	-	-
Tax benefit on loss of new share issue by associate (note23(b))	-	(18,344)	-	-
Derecognition of tax liability for associated entity (note 23(b))	-	(358,457)	-	-
Income tax expense/(benefit) reported in equity	(2,535,399)	6,585,345	-	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

9. INCOME TAX (continued)

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit/(loss) before tax	12,018,453	(6,175,308)	11,608,693	3,925,398
At the Group's statutory income tax rate of 30% (2006: 30%)	3,605,536	(1,852,592)	3,482,608	1,177,619
Adjustments in respect of tax losses of previous years	(56,855)	(66,139)	(60,520)	(61,120)
Unrecognised unrealised & realised tax assets	3,536,153	2,088,305	-	163,496
Recognition of losses not recognised in prior years	(1,323,440)	-	-	-
(Increase)/decrease in deferred tax assets due to temporary differences	1,624,526	(626,002)	497,718	1,189,895
Increase/(decrease) in deferred tax liabilities due to temporary differences	67,203	(175,364)	19,828	(35,685)
Expenditure not allowable for income tax purposes	593,451	986,755	725,569	764,212
Income not assessable for income tax purposes	(39,203)	-	(4,540,790)	(2,355,405)
Research and development additional deductions allowable	(249,927)	(70,125)	-	-
Fair value adjustment on investment in listed options and other listed investment	11,851	55,255	-	-
Difference between tax gain and accounting gain on disposal of investments – non-assessable	(2,046,549)	-	-	-
Income tax expense reported in the income statement	5,722,746	340,093	124,413	843,012

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

9. INCOME TAX (continued)

	Balance Sheet		Income Statement	
	2007	2006	2007	2006
	$	$	$	$
(d) Recognised deferred tax assets and liabilities				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities:				
Revaluations of listed investments to fair value (unrealised capital gains)	(3,820,201)	(6,355,599)	-	-
Deferred tax assets available for offset against future taxable income:				
Realised capital gains tax losses	-	2,598,489	(289,929)	-
Income tax losses	-	2,103,798	-	886,928
Fair value adjustment of listed options	-	289,929	-	53,799
Unrealised impairment losses on listed investments	1,200,063	466,365	1,200,063	-
Temporary difference for investment in associate	(109,773)	(62,397)	(47,376)	39,987
Interest receivable (future assessable income)	(29,295)	(9,468)	(19,828)	35,685
	(2,759,206)	(968,883)		
Deferred tax assets:				
Unrealised impairment losses on listed investments	-	1,056,093	-	(1,323,336)
Realised gains – reversal of prior period impairment losses	-	-	(1,522,459)	-
Other impairment losses	-	-	-	(87,200)
Employee provisions	133,678	121,236	12,544	17,001
Future allowable deductions	56,649	54,525	2,124	31,214
	190,327	1,231,854		
Deferred tax expense			(664,861)	(345,922)
PARENT				
Deferred tax liabilities:				
Interest receivable (future assessable income)	(29,296)	(9,468)	(19,828)	35,685
	(29,296)	(9,468)		
Deferred tax assets:				
Deferred tax assets available for offset against future taxable income:				
Realised capital gains tax losses	-	2,598,489	-	-
Income tax losses	-	2,103,798	-	474,694
Employee provisions	133,678	121,236	12,544	17,001
Future allowable deductions	52,326	8,918	43,407	(10,849)
Temporary difference on intercompany loans to subsidiaries	-	553,669	(717,166)	(1,359,543)
Unrealised loss on investment in associate from prior year	-	-	163,496	-
	186,004	5,386,110		
Deferred tax expense			(517,547)	(843,012)

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

9. INCOME TAX (continued)

(e) Unrecognised temporary differences

At 30 June 2007, there are no unrecognised temporary differences relating to deferred tax liabilities associated with the Group's investments in subsidiaries, associates or joint ventures, as the Group has no liability for additional taxation should unremitted earnings be remitted (2006: $Nil).

(f) Tax consolidation

(i) Members of the tax consolidated group

Circadian Technologies Limited and its 100% owned subsidiaries have formed a tax consolidated group with effect from 1 July 2004. Circadian Technologies Limited is the head entity of the tax consolidated group.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 *Tax Consolidation Accounting*

Members of the tax consolidated group have adopted the "separate taxpayer within group" method to allocate the current and deferred tax amounts to each entity within the group. For details with respect to this method, see accounting policy note 2(z).

Tax consolidation contributions/(distributions)

In preparing the accounts for Circadian Technologies Limited for the current year, the following amounts have been recognised as tax-consolidation contribution adjustments:

	Parent	
	2007	**2006**
	$	**$**
Total increase/(reduction) to tax expense of Circadian Technologies Limited	-	-
Total increase/(reduction) to investments in subsidiaries	5,964,109	(207,248)
Total distributions from subsidiaries recognised in the income statement of Circadian Technologies Limited	513,091	225,127

(g) Franking credit balance

The franking account balance at the end of the financial year at 30% (2006: 30%) is $11,438 (2006: $11,438), which represents the amount of franking credits available for the subsequent financial year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

10. EARNINGS PER SHARE

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

(a) Earnings used in calculating earnings per share

	Consolidated	
	2007	**2006**
	$	**$**
Net profit/(loss) attributable to ordinary equity holders of the parent	11,203,382	(6,472,467)

(b) Weighted average number of shares

	Number of shares	**Number of shares**
Weighted average number of ordinary shares on issue for basic earnings per share	40,124,498	40,124,498
Effect of dilution:		
Share options	-	-
Performance rights	257,337	169,208
Weighted average number of ordinary shares adjusted for the effect of dilution	40,381,835	40,293,706
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

There have been no other 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 this financial report.

(c) Information on the classification of securities

Options and performance rights granted to employees (including key management personnel) as described in note 29 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options and performance rights have not been included in the determination of basic earnings per share.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

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	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $

11. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	2,243,383	4,932,460	1,529,151	4,748,389
Short-term deposits	45,950,000	9,675,000	29,250,000	9,500,000
	48,193,383	14,607,460	30,779,151	14,248,389

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.

Short-term deposits are with a major bank and are made for varying periods of between 30 days and 60 days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. At year end the average rate was 6.27% (2006: 5.83%).

12. CURRENT ASSETS - RECEIVABLES

Interest receivable	142,646	31,559	97,651	31,227
Receivable – related party (i)	8,933	-	82,500	-
GST receivable (ii)	131,175	80,682	30,751	45,740
Other (ii)	30,358	-	-	-
Total current receivables	313,112	112,241	210,902	76,967

(i) *Parent:* A Management Services Agreement between Circadian and Vegenics Limited was signed during the year relating to the provision of management and related support services by Circadian. The agreement provides for a management fee of $82,500 (GST inclusive) payable monthly in arrears. The related party receivable is non-interest bearing and has repayment terms of 30 days. Also see note 27(b)(iii).

Consolidated: This is a receivable from a director related entity of Vegenics Limited, being the Ludwig Institute for Cancer Research, relating to patent costs paid on their behalf to a third party patent attorney.

(ii) These receivables are non-interest bearing, most of which have repayment terms between 30 and 60 days.

13. CURRENT ASSETS - OTHER FINANCIAL ASSETS

At fair value:				
Listed shares	14,213	13,867	-	-
Listed options (note 15(a))	-	39,851	-	-
	14,213	53,718	-	-

Listed shares (available-for-sale asset) are readily saleable with no fixed terms. The market value represents the share (bid) price at year end, and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments.

The listed options were options over the ordinary shares of Antisense Therapeutics Limited (a listed entity which is an associated company) which expired on 1 February 2007.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
14. CURRENT ASSETS - ASSET CLASSIFIED AS HELD FOR SALE				
Listed shares – at fair value	-	13,284,354	-	-

Prior to 30 June 2006, the Group intended to dispose of its holding in the ordinary shares of Zenyth Therapeutics Limited (Zenyth). On 17 July 2006, Zenyth and CSL Limited (CSL) announced a proposal under which CSL would acquire 100% of the issued shares in Zenyth. The acquisition was implemented by way of a scheme of arrangement between Zenyth and its shareholders. The consideration offered by CSL to Zenyth shareholders comprised 82 cents cash per Zenyth share and a pro-rata capital return to Zenyth shareholders of all Zenyth's shareholding in Avexa Limited (Avexa) for which Zenyth shareholders received approximately one Avexa share for every six Zenyth shares held at the record date. In November 2006, after approval by the Supreme Court of Victoria, The Group received $23,176,958 cash (representing Fibre Optics' holding of 28,264,583 shares @ 82 cents per share) plus an in-specie distribution of 4,706,763 Avexa shares.

Immediately before the initial classification of the asset as held for sale, the asset was accounted for as an "available-for-sale" financial asset pursuant to AASB 139 *Financial Instruments: Recognition and Measurement*. At 30 June 2006 the investment in Zenyth was recognised at its fair value. There were no selling costs on the sale of this investment. For the year ended 30 June 2006, an unrealised gain (fair value adjustment) before tax of $1,554,552 was recognised in the net unrealised gains reserve. Total impairment losses of $5,074,864 were recognised through profit or loss in prior years up to 30 June 2005.

See note 6(b)(i) regarding the gain on the disposal of this holding in Zenyth.

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
15. NON-CURRENT ASSETS - FINANCIAL INVESTMENTS AND SUBSIDIARIES				
Listed shares – at fair value (a)	16,118,504	26,739,165	-	-
Unlisted subsidiaries (b) (note 27) – at cost	-	-	29,585,578	1,926,818
Total non-current investments	16,118,504	26,739,165	29,585,578	1,926,818

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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15. NON-CURRENT ASSETS - FINANCIAL INVESTMENTS AND SUBSIDIARIES (continued)

(a) Details of listed shares and options

Listed Investments	Ownership Interest 2007 %	Ownership Interest 2006 %	Fair Value (i) 2007 $	Fair Value (i) 2006 $	Cost of Investment 2007 $	Cost of Investment 2006 $
Non-current investments:						
Metabolic Pharmaceuticals Ltd (ii)	12.0	16.9	4,501,588	18,484,890	10,000	10,000
Avexa Limited (iii)	3.4	12.1	8,610,786	5,380,957	5,982,056	8,333,239
Optiscan Imaging Ltd	6.2	6.4	3,006,130	2,873,318	371,131	366,131
			16,118,504	26,739,165	6,363,187	8,709,370
Other financial asset (current):						
Antisense Therapeutics Ltd (Options) (note 13)			-	39,851	-	1,087,614
Asset classified as held for sale:						
Zenyth Therapeutics Ltd (iv)(note 14)	-	22.6	-	13,284,354	-	16,804,666
Associate:						
Antisense Therapeutics Ltd (v) (note 16)	19.3	22.1	3,595,894	2,671,236	2,864,766	2,864,766
Total listed investments			19,714,398	42,734,606	9,227,953	29,466,416

Non-current investments in listed shares (which are not associates) are designated and accounted for as "available-for-sale" financial assets pursuant to AASB 139 *Financial Instruments: Recognition and Measurement.*

These non-current investments in listed shares consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(i) The fair value represents the share (bid) price at year end, and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments. The capital gains tax that may be applicable on the disposal of these investments is included in the deferred tax liability account.

(ii) During the current year, the Group sold a total of 12,000,000 shares in Metabolic Pharmaceuticals Limited for net proceeds (after brokerage fees) of $8,285,760. The sale of the Metabolic shares resulted in a net profit of $8,285,760. See note 6(b) for further details.

(iii) During the current year, the Group received an in-specie distribution of 4,706,763 Avexa shares at a value of $1,176,691 (representing 25 cents per share), being a pro-rata capital return to Zenyth shareholders of all of Zenyth's shareholding in Avexa on the acquisition of Zenyth by CSL Limited. See note 14 for further details. The Group also purchased a further 7,535,622 shares in a rights issue by Avexa for a consideration of $3,993,880.

In the second half of the financial year, the Group sold a total of 22,489,836 shares in Avexa for total net proceeds (after brokerage fees) of $13,880,407. The sale of the Avexa shares resulted in a net profit of $6,769,565. See note 6(b) for further details.

(iv) During the current year, the investment in Zenyth was disposed of as a result of the acquisition of Zenyth by CSL. See note 6(b) and note 14 for further details on the gain on the disposal of this investment.

(v) The consolidated entity's total undiluted interest in Antisense Therapeutics, including its indirect interest in Antisense Therapeutics through its investment in Syngene Limited, amounted to 23.6% at year end, representing a market value of $4,403,009 (cost: $2,964,136).

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15. NON-CURRENT ASSETS - FINANCIAL INVESTMENTS AND SUBSIDIARIES (continued)

(b) Details of investments in subsidiaries

Of the $29,585,578 in investments in subsidiaries, $21,500,000 relates to the investment in Vegenics Limited, which is 67% owned by Circadian. See note 27 regarding details of other subsidiaries.

Vegenics was incorporated by Circadian on 10 January 2006 for the purpose of forming a collaboration between Circadian, the Ludwig Institute for Cancer Research (Ludwig) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia), to develop and commercialise the intellectual property and technology of Ludwig and Licentia in respect of molecules known as vascular endothelial growth factors (VEGF). On the satisfaction of the conditions precedent of the Shareholders Agreement relating to Vegenics between Circadian, Ludwig and Licentia (Shareholders Agreement), shares were to be applied for in Vegenics by each of these entities. The conditions precedent included the execution of the License Agreement between Vegenics, Ludwig and Licentia and the satisfactory completion of legal and technical due diligence by Circadian.

On 29 June 2006, the conditions precedent were satisfied in full and the following shares were issued in Vegenics on 4 July 2006 pursuant to the Shareholders Agreement, providing Circadian with a 50% interest and control over that entity and Ludwig and Licentia together owning 50%:

- 24,999,995 ordinary shares to Circadian for a consideration of $4 million cash; and
- 13,500,000 ordinary shares to Ludwig and 11,500,000 ordinary shares to Licentia in consideration for the provision of intellectual property (see intellectual property costs for $4 million in note 8(a)).

Under the License Agreement, Ludwig and Licentia exclusively provided rights to Vegenics to all of their jointly owned technology covering VEGF-C and VEGF-D antagonists as therapeutic and diagnostic agents (Ludwig and Licentia IP estate). In accordance with the agreements, with the completion of a capital raising on 2 April 2007 by Vegenics, Ludwig and Licentia have assigned to Vegenics the Ludwig and Licentia IP estate. Following the formation of the collaboration, Circadian invested an additional $17.5 million increasing Circadian's interest to 67% and Licentia invested an additional $690,000.

Under the License Agreement, effective from 21 April 2006 and up to the date of assignment of the Ludwig and Licentia IP estate, Vegenics is to reimburse to Ludwig the reasonably incurred third party fees and costs incurred by Ludwig in the registration, prosecution, enforcement and maintenance of the Ludwig and Licentia IP estate. These costs have been recognised in the Group's income statement (see notes 8(a), 8(b) and 27(b)).

16. NON-CURRENT ASSETS - INVESTMENTS IN ASSOCIATES

(a) Investment details

	Ownership Interest %		Carrying Amount $	
Name and Principal Activities	**2007**	**2006**	**2007**	**2006**
Listed:				
Antisense Therapeutics Limited – Gene directed therapeutics (i)	19.3	22.1	1,158,947	1,945,041
Unlisted:				
Syngene Limited – Gene diagnostics (note 27(b))	42.38	42.38	596,668	438,746
			1,755,615	2,383,787

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

16. NON-CURRENT ASSETS - INVESTMENTS IN ASSOCIATES

(a) Investment details (continued)

The Group's proportion of voting power held in each associate is the same as its ownership interest. The Group's investments in the associates are accounted for in accordance with the accounting policy described in note 2(k).

Syngene Limited is an unlisted public company whilst Antisense Therapeutics Limited is listed on the Australian Stock Exchange. The associates are both incorporated in Australia and have 30 June reporting dates.

(i) In the February 2006 capital raising by Antisense Therapeutics Limited (which was approved by Antisense Therapeutics shareholders in April 2006), Circadian (through its wholly owned subsidiary Polychip Pharmaceuticals Pty Ltd) purchased an additional 30 million ordinary shares at a total cost of $1 million and served as the major investor (the Group's direct interest in Antisense increased from 20.4% to 22.13% after the share placement). As the Group was the main investor in this transaction, the board of directors of Circadian determined that it has "significant influence" over Antisense Therapeutics based on the definition in accounting standard AASB 128 *Investments in Associates* and as such it was resolved that the Group should equity account Antisense Therapeutics with effect from 1 January 2006.

Prior to 1 January 2006, the investment in Antisense Therapeutics was accounted for as an "available-for-sale asset" pursuant to AASB 139 *Financial Instruments: Recognition and Measurement.*

(b) Impairment

There was an impairment loss of $544,987 in the prior year relating to the write-down of the loan to Syngene Limited due to a decrease in Syngene's net assets from 30 June 2005 to 30 June 2006. This amount is included in the line item 'Impairment losses' in the Income Statement.

(c) Movements in the carrying amounts of the Group's investments in associates

	Consolidated	
	2007	**2006**
	$	**$**
Antisense Therapeutics Limited:		
At 1 July	1,945,041	-
Carrying value of investment in Antisense Therapeutics at 31.12.05 before becoming an associate	-	2,535,288
Adjustment at 1.1.06 to reflect investment in Antisense Therapeutics pursuant to AASB 128 *Investments in Associates* (a)	-	(939,826)
	-	1,595,462
Acquisition of shares (a)	-	1,000,000
Net gain/(loss) on new share issue by associate (note 23(b)(iii))	202,476	(61,145)
Share of loss after income tax (i)	(988,570)	(589,276)
At 30 June	1,158,947	1,945,041

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

16. NON-CURRENT ASSETS - INVESTMENTS IN ASSOCIATES (continued)

(c) Movements in the carrying amounts of the Group's investments in associates (continued)

	Consolidated	
	2007	2006
	$	$
Syngene Limited:		
At 1 July	438,746	823,009
Share of profit/(loss) after income tax	12,640	(125,986)
Share of net unrealised gain on listed investment for the year (ii)	145,282	(258,277)
At 30 June	596,668	438,746

(i) The Group's share of the results of Antisense Therapeutics in the prior year is for the period 1 January 2006 to 30 June 2006. Also refer to (a)(i) above.

(ii) The Group's share of the net unrealised gain on listed investment represents Syngene's 10.20% investment in Antisense Therapeutics Limited. The movement in the fair value of this investment during the year is recognised in the net unrealised gains reserve account (see note 23(b)(iv)).

(d) Fair value of investment in listed associate

The fair value of the Group's investment in Antisense Therapeutics Limited is $3,595,894 (2006: $2,671,236). Also see note 15(a)(v).

(e) Share of associates' commitments – Equity accounting only

(i) An agreement exists between Syngene Limited and the Howard Florey Institute of Experimental Physiology and Medicine (Institute) whereby the Institute has granted an exclusive licence to Syngene for the technology of and patents held by the Institute in the area of hybridization histochemistry and related fields. Syngene is committed to pay the Institute a licence revenue fee of $50,000 per year plus a percentage of royalty income earned varying between 6% and 7.5%. The Group's share of Syngene's commitment is $21,190 per year plus the Group's share of a percentage of royalty income earned.

(ii) Antisense Therapeutics Limited has an expenditure commitment of $3,597,934 relating to research and development and is payable within one year. The Group's share of this expenditure commitment is $692,962 (2006: $625,750).

The lease expenditure commitment for Antisense Therapeutics amounts to $22,599 which is payable within one year. This commitment relates to the leasing of office premises. The lease is for a term of one year with a renewal option for a further one year. The Group's share of Antisense Therapeutics' lease expenditure commitment is $4,353 (2006: $30,709)

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

16. NON-CURRENT ASSETS - INVESTMENTS IN ASSOCIATES (continued)

(f) Summarised financial information

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

	Consolidated	
	2007	2006
	$	$
Extract from the associates' balance sheets:		
Current assets	8,115,571	8,858,630
Non-current assets	1,922,288	1,881,765
	10,037,859	10,740,395
Current liabilities	2,008,167	335,994
Non-current liabilities	604,415	575,894
	2,612,582	911,888
Net assets	7,425,277	9,828,507
Share of associates' net assets	1,755,615	2,384,691
Extract from the associates' income statements:		
Revenue	807,077	622,117
Net profit/(loss)	(4,806,138)	(5,759,677)
Share of the associates' profit or loss accounted for using the equity method:		
Profit/(loss) before income tax	(1,038,193)	(594,864)
Income tax benefit/(expense)	62,263	(120,398)
Profit/(loss) after income tax	(975,930)	(715,262)
Adjustment at 1.1.06 to reflect investment in Antisense Therapeutics pursuant to AASB 128 *Investments in Associates* (a)	-	(939,826)
Total recognised in income statement	(975,930)	(1,655,088)

(g) Contingent liabilities of associates

The associates have no contingent liabilities at year end.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
17. NON-CURRENT ASSETS - PLANT AND EQUIPMENT				
Equipment and furniture at cost				
Opening balance	180,121	164,628	180,121	164,628
Additions	64,161	20,343	62,434	20,343
Disposals	(16,901)	(4,850)	(16,901)	(4,850)
Closing balance	227,381	180,121	225,654	180,121
Accumulated depreciation				
Opening balance	137,588	129,947	137,588	129,947
Depreciation for the year	24,219	12,491	24,167	12,491
Disposals	(15,224)	(4,850)	(15,224)	(4,850)
Closing balance	146,583	137,588	146,531	137,588
Net carrying amount	80,798	42,533	79,123	42,533
Leasehold improvements at cost				
Opening balance	73,697	73,697	73,697	73,697
Additions	-	-	-	-
Closing balance	73,697	73,697	73,697	73,697
Accumulated depreciation				
Opening balance	71,422	70,224	71,422	70,224
Depreciation for the year	1,196	1,198	1,196	1,198
Closing balance	72,618	71,422	72,618	71,422
Net carrying amount	1,079	2,275	1,079	2,275
Total plant and equipment, net	81,877	44,808	80,202	44,808

The useful life of the assets was estimated as follows both for 2006 and 2007:

Equipment and Furniture	3-10 years
Leasehold Improvements	8 years

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	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $

18. NON-CURRENT ASSETS – GOODWILL

(a) Reconciliation of carrying amount at the beginning and end of the period:

Gross carrying amount	226,165	226,165	-	-
Accumulated impairment of goodwill:				
Opening balance	(76,947)	-	-	-
Impairment of goodwill for the year	(149,218)	(76,947)	-	-
	(226,165)	(76,947)	-	-
Net carrying amount at 30 June	-	149,218	-	-

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 (refer to (b) below).

(b) Impairment testing of goodwill

The recoverable amount of goodwill acquired through a business combination has been determined by assessing whether the subsidiary carrying on research and development activities has met its research and development milestones and also by looking at other qualitative aspects of the research and development project.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer'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.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

19. CURRENT LIABILITIES - PAYABLES

Creditors (unsecured) (i)	2,172,961	767,486	222,309	478,307
Payable to shareholders (ii)	109,490	119,738	109,490	119,738
PAYG tax liability	49,886	57,461	49,886	57,461
	2,332,337	944,685	381,685	655,506

(i) Creditors are non-interest bearing and are normally settled on 30 day terms.

Included in the consolidated balance is an amount of $1,784,931 being amounts payable by Vegenics Limited.

(ii) A capital return and two unfranked dividend payments were paid to shareholders totalling 65 cents per share during the 2005 financial year. The balance of $109,490 (2006: $119,738) represents amounts payable with respect to these distributions to shareholders with unknown addresses.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
20. CURRENT LIABILITIES - PROVISIONS				
Annual leave	128,401	118,662	128,401	118,662
Long service leave (note 21)	288,889	249,155	288,889	249,155
	417,290	367,817	417,290	367,817
21. NON-CURRENT LIABILITIES - PROVISIONS				
Long service leave	28,643	36,304	28,643	36,304

Refer to note 2(v) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

22. CONTRIBUTED EQUITY

Ordinary shares

Issued and fully paid at 30 June	33,167,977	33,167,977	33,167,977	33,167,977
	No.	**No.**	**No.**	**No.**
Ordinary shares on issue:				
Balance at 1 July and 30 June	40,124,498	40,124,498	40,124,498	40,124,498

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

Share options and performance rights:

The Company has two share-based payment schemes: the Employee Share Option Plan under which options to subscribe for the Company's shares have been granted to certain employees, and a Performance Rights Plan under which rights to subscribe for the Company's shares have been granted to certain executive officers (refer to note 29).

23. RETAINED EARNINGS AND RESERVES

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(a) Movements in retained earnings were as follows:				
Balance at 1 July	3,828,295	10,001,318	9,912,756	6,830,370
Impairment loss on investment in associate	-	(357,446)	-	-
Transfer from contributed capital of associate reserve (b)(iii)	-	656,890	-	-
Net profit/(loss) for the year	11,203,382	(6,472,467)	11,484,280	3,082,386
Balance at 30 June	15,031,677	3,828,295	21,397,036	9,912,756

NOTES TO THE FINANCIAL STATEMENTS (continued)
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23. RETAINED EARNINGS AND RESERVES (continued)

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(b) Reserves				
Asset revaluation reserve (i)	734,407	734,407	734,407	734,407
Option reserve (ii)	19	19	19	19
Contributed capital of associate reserve (iii)	811,855	609,379	-	-
Net unrealised gains reserve (iv)	10,430,747	17,990,006	-	-
Employee equity benefits reserve (v)	907,221	261,014	907,221	261,014
Equity reserve attributable to parent (vi)	(5,238,453)	-	-	-
Total reserves	7,645,796	19,594,825	1,641,647	995,440
(i) Movement in asset revaluation reserve:				
Opening and closing balance	734,407	734,407	734,407	734,407
(ii) Movement in option reserve:				
Opening and closing balance	19	19	19	19
(iii) Movement in contributed capital of associate reserve:				
Opening balance	609,379	656,890	-	-
Transfer to retained earnings	-	(656,890)	-	-
Investment which became an associate (note 16):				
- Transfer from net unrealised gains reserve	-	293,723	-	-
- Gain/(loss) on new share issue by associate	202,476	(61,145)	-	-
Tax effect	60,743	18,344	-	-
- Tax asset offset	(60,743)	* 358,457	-	-
Closing balance	811,855	609,379	-	-

* With respect to the investment in associate, Antisense Therapeutics Limited, there was a tax asset at 30 June 2006 relating to the income statement/retained earnings of $458,730 and a tax liability relating to this equity reserve account of $358,457 which amounts to a net tax asset position of $100,273. As it has been determined that the net tax asset on this investment does not meet the "probable" of realisation test as at 30 June 2006, it was derecognised in the prior year. As at 30 June 2007, the tax asset relating to the income statement/retained earnings continues to exceed the tax liability relating to this equity account and as such the tax asset offset equates to the tax effect in this account. The tax asset in excess of the tax liability (net tax asset of $336,101) has not been recognised in the balance sheet.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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23. RETAINED EARNINGS AND RESERVES (continued)

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(b) Reserves (continued)				
(iv) Movement in net unrealised gains reserve:				
Opening balance	17,990,006	229,745	-	-
- Unrealised gains on non-current listed investments on adoption of AASB 139	-	31,860,498	-	-
Tax effect on above unrealised gains	-	(9,558,150)	-	-
Share of associate's net unrealised gain on adoption of AASB 139	-	608,419	-	-
Net unrealised gains on non-current listed investments on adoption of AASB 139	-	22,910,767	-	-
- Net gains/(losses) on non-current listed investments for the year	8,289,463	(8,749,061)	-	-
Tax effect on above net gains/(losses)	(2,902,887)	3,062,369	-	-
Share of associate's net unrealised gain/(loss)	145,282	(258,277)	-	-
Net gains/(losses) on non-current listed investments for the year after tax	5,531,858	(5,944,969)	-	-
- Realised gains on non-current listed investments transferred to the income statement	(16,974,851)	-	-	-
Tax effect on above realised gains	4,971,920	-	-	-
Net realised gains transferred to the income statement	(12,002,931)	-	-	-
- Unrealised gain for the year on current asset classified as held for sale	-	1,554,552	-	-
Tax effect on above unrealised gain	-	(466,366)	-	-
Net unrealised gain for the year on current asset classified as held for sale	-	1,088,186	-	-
- Realised gain after tax for the year on held for sale investment transferred to the income statement	(1,088,186)	-	-	-
- Transfer to contributed capital of associate reserve (note 16(a)(i))	-	(293,723)	-	-
Closing balance	10,430,747	17,990,006	-	-

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23. RETAINED EARNINGS AND RESERVES (continued)

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(b) Reserves (continued)				
(v) Movement in employee equity benefits reserve:				
Opening balance	261,014	108,754	261,014	108,754
Share-based payments	646,207	152,260	646,207	152,260
Closing balance	907,221	261,014	907,221	261,014
(vi) Movement in equity reserve attributable to parent:				
Opening balance	-	-	-	-
Minority interest's change in share of net assets of Vegenics due to additional investments made by the parent	(5,238,453)	-	-	-
Closing balance	(5,238,453)	-	-	-

(vii) Nature and purpose of reserves:

Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

Option reserve
This reserve is used to record the consideration received for options granted to executives and employees as part of their remuneration.

Contributed capital of associate reserve
This reserve is used to record the Group's equity accounting of share issues by its associated entities.

Net unrealised gains reserve
This reserve records fair value changes on listed investments and the Group's equity share of its associate's listed investment.

Employee equity benefits reserve
This reserve is used to record the value of equity benefits provided to executives and employees as part of their remuneration. Refer to note 29 for further details on the equity benefit plans.

Equity reserve attributable to parent
This reserve recognises the minority interest's share of the change in the net assets of Vegenics on new investments (capital injections) made by the parent in Vegenics, which are offset by the relevant effect of additional investments made by minority interests.

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	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
24. MINORITY INTERESTS				
Share of contributed equity	8,922,784	280,084	-	-
Share of accumulated losses	(3,802,527)	(180,605)	-	-
	5,120,257	99,479	-	-

The above balances include the minority interest (33%) in Vegenics Limited and the minority interest (40%) in CancerProbe Pty Ltd. The minority interest in Vegenics' share capital amounts to $8.64 million and the minority interest in that company's accumulated losses amounts to $3.55 million (this includes the minority interest's share of Vegenics' losses for the year of $3.50 million). See note 15(b) for details regarding the formation of Vegenics.

25. CASH FLOW STATEMENT RECONCILIATION

(a) Reconciliation of net profit/(loss) after tax to net cash flows from operations

Net profit/(loss)	6,295,707	(6,515,401)	11,484,280	3,082,386
Adjustments for:				
Depreciation	25,415	13,689	25,363	13,689
Loss on disposal of plant and equipment	977	-	977	-
Employee benefits expense	646,207	152,260	646,207	152,260
Impairment of goodwill	149,218	76,947	-	-
Share of associates' net losses	975,930	1,655,088	-	-
Net exchange differences	-	6,629	-	5,355
Interest income from subsidiaries	-	-	(194,057)	(1,430,789)
Distributions from subsidiaries	-	-	(513,091)	(225,127)
Reversal of impairment of receivable from subsidiary	-	-	(4,110,782)	(1,340,664)
Gain on discount of loans from subsidiaries	-	-	-	(254,773)
Write-down of receivables from subsidiaries	-	-	1,553,672	883,172
Interest expense on loans from subsidiaries	-	-	-	254,773
Fair value adjustments of current financial assets	39,504	184,182	-	-
Write-down of loan to associate	-	544,987	-	544,987
Intellectual property costs – non-cash financing	4,000,000	-	-	-
Changes in assets and liabilities:				
(Increase)/decrease in financial investments and subsidiaries	13,634,376	(2,152,937)	(21,500,000)	-
(Increase)/decrease in prepayments	210,011	(204,813)	(829)	16,273
(Increase)/decrease in interest receivable	(111,087)	118,950	(66,424)	118,478
(Increase)/decrease in other receivables	(89,784)	6,154	(67,511)	(20,935)
(Decrease)/increase in payables	1,430,539	670,623	(261,631)	420,040
(Decrease)/increase in income tax payable	6,200,348	-	(393,134)	-
(Decrease)/increase in employee provisions	41,812	56,671	41,812	56,671
(Increase)/decrease in deferred tax assets	(544,804)	445,994	497,718	878,697
(Decrease)/increase in deferred tax liabilities	67,203	(100,072)	19,828	(35,685)
Net cash from/(used in) operating activities	32,971,572	(5,041,049)	(12,837,602)	3,118,808

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

25. CASH FLOW STATEMENT RECONCILIATION (continued)

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(b) Non-cash financing and investing activities				
Acquisition of intellectual property by means of a share issue (notes 8(a) and 15(b))	4,000,000	-	-	-
Share-based payments (note 29)	646,207	152,260	646,207	152,260
	4,646,207	152,260	646,207	152,260

(c) Disclosure of investing activities
Refer to notes 15 and 27.

26. INTERESTS IN JOINT VENTURE OPERATIONS

Parties	Pharmaceutical Research and Development Project	Share of Project Income (a)		Loss Contributed (b)	
		2007	2006	2007 $	2006 $
Neuro Therapeutics Ltd and Monash University	Anti-Allergy Asthma Analgesics Compound	67.5% 85.7%	67.5% 85.7%	56,804	-
Neuro Therapeutics Ltd and University of Sydney	Memory Enhancement	60%	60%	221,594	21,231
Neuro Therapeutics Ltd and the University of Melbourne	Alzheimer's Disease Research	100%	100%	237,328	269,676
Neuro Therapeutics Ltd and Howard Florey Institute	Neurodegenerative Diseases/Paracetamol	50%	50%	105,000	80,000
Polychip Pharmaceuticals Pty Ltd and Monash University	Dicarba Analogues	50%	50%	171,922	198,667
Cancer Therapeutics Limited and Monash University	Peptide-Based Cancer Vaccine	50%	50%	666,597	252,923
Other non joint venture research project costs				1,678,677	257,800
				3,137,922	1,080,297

(a) There was no project income in the current year or in the prior year from any of the joint venture projects.

(b) These amounts represent the Company's, or controlled entities', share of the research and development costs incurred and expensed on a project.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

26. INTERESTS IN JOINT VENTURE OPERATIONS (continued)

(c) Expenditure commitments relating to joint venture research projects are payable as follows (these amounts are included in the total commitments disclosed in note 31):

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
Within one year	797,708	878,971	-	-
After one year but not more than five years	20,000	223,323	-	-
	817,708	1,102,294	-	-

(d) The consolidated entity has nil assets in the financial statements employed in the joint ventures.

(e) There were no impairment losses in the joint venture operations.

27. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Circadian Technologies Limited and the subsidiaries listed in the following table:

	Book value of parent entity investment and % equity interest			
	2007		2006	
Name of company	$	%	$	%
Circadian Pharmaceuticals (Aust) Pty Ltd	-	100	-	100
Precision Patchclamps (Int) Pty Ltd	-	100	-	100
Polychip Pharmaceuticals Pty Ltd	2,898,440	100	615,076	100
Fibre Optics (Aust) Pty Ltd	5,187,138	100	1,311,742	100
Cancer Therapeutics Limited	-	100	-	100
Neuro Therapeutics Limited	-	100	-	100
CancerProbe Pty Ltd	-	60	-	60
Vegenics Limited *	21,500,000	67	-	100
	29,585,578		1,926,818	

Circadian Technologies Limited is the ultimate parent entity.

All subsidiaries were incorporated in Australia and have the same financial year as Circadian Technologies Limited.

* Vegenics Limited was incorporated on 10 January 2006 for the purpose of forming a collaboration with the Ludwig Institute for Cancer Research and Licentia Limited as explained in note 15(b). The collaboration took effect on 4 July 2006 with Circadian owning 50% of the company and the other entities jointly owning the other 50% interest. Note 15(b) provides information regarding further investments made by Circadian during the year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

27. RELATED PARTY DISCLOSURES (continued)

(b) Transactions with related parties

Transactions and balances with related parties during the years ended 30 June 2006 and 2007 are as follows:

(i) Loans to subsidiaries of $235,057 (2006: $23,580,353) are non-interest bearing, stated at the lower of amortised value and recoverable value, are unsecured and have no fixed terms of repayment of principal (although repayment is not expected within the next year). Interest of $194,057 (2006: $1,430,789) was incurred by the subsidiaries for the year due to the discounting of the loans and use of the effective interest method in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* (see note 2(g)).

There is a loan to an associated entity of $544,987 (2006: $544,987) which was written down to $nil during the prior year to reflect its fair value at 30 June 2006. The fair value at 30 June 2007 remains at $nil. The loan is repayable on demand but not later than 31 May 2009 and interest is payable by the associated entity at 5% p.a.

The amounts are owed by the following companies (stated at the lower of amortised value and recoverable value):

	2007 $	2006 $
Subsidiaries		
Current		
Fibre Optics (Aust) Pty Ltd (ii) ^	-	20,135,688
	-	20,135,688
Non-Current		
Polychip Pharmaceuticals Pty Ltd (ii)#	-	1,920,522
Fibre Optics (Aust) Pty Ltd (ii)^	-	1,147,938
Cancer Therapeutics Limited ¶	235,057	326,205
Neuro Therapeutics Limited ¶	-	-
Vegenics Limited	-	50,000
	235,057	3,444,665
	235,057	23,580,353
Associated Entity		
Syngene Ltd (note 16)	-	-

¶ The amortised value of the amount payable by Cancer Therapeutics Limited is $2,010,686 (recoverable value $235,057) and the amortised value of the amount payable by Neuro Therapeutics Limited is $1,587,141 (recoverable value $nil). The amounts lent to these entities during the year were used for working capital purposes – predominantly the funding of research and development activities.

(ii) Loans from subsidiaries of $3,700,090 (2006: $159,615) are non-interest bearing, unsecured and have no fixed terms of repayment of principal (repayment is not expected within the next year, however, as the parent funds the activities of its wholly owned subsidiaries, the loan from subsidiaries will be reduced by these amounts). No interest was incurred by the parent during the year (2006: $254,773). See note 2(g).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

27. RELATED PARTY DISCLOSURES (continued)

(b) Transactions with related parties (continued)

The amounts are owed to the following companies:

	2007 $	2006 $
Subsidiaries		
Precision Patchclamps (Int) Pty Ltd	67,558	67,558
Circadian Pharmaceuticals (Aust) Pty Ltd	88,251	92,057
Polychip Pharmaceuticals Pty Ltd #	2,190,957	-
Fibre Optics (Aust) Pty Ltd ^	1,353,324	-
	3,700,090	159,615

\# The amount owing to Polychip Pharmaceuticals Pty Ltd (Polychip) has arisen due to the proceeds received by Circadian on behalf of Polychip on the sale of shares in Metabolic Pharmaceuticals Limited, part of which was used for working capital purposes and the payment of an unfranked dividend by Polychip to Circadian.

^ The amount owing to Fibre Optics (Aust) Pty Ltd (Fibre Optics) has arisen due to the proceeds received by Circadian on behalf of Fibre Optics on the disposal of Fibre Optics' investment in Zenyth Therapeutics Limited and the sale of shares in Avexa Limited, part of which were used to fund the acquisition of ordinary shares in Avexa Limited and the payment of an unfranked dividend by Fibre Optics to Circadian.

(iii) During the year, patent costs totalling $1,128,407 incurred by Vegenics Limited were reimbursed or are reimbursable to the Ludwig Institute for Cancer Research (Ludwig) for third-party patent attorney costs incurred by Ludwig in respect of the patent families as detailed in the License Agreement between Vegenics, Ludwig and Licentia (the commercial arm of the University of Helsinki – see note 15(b) for further details). Dr Jonathan Skipper and Dr Andrew Simpson, directors of Vegenics since 11 July 2006, are executive officers of Ludwig. The total amount payable to Ludwig with respect to these costs at year end was $348,714. See note 12 with respect to an amount receivable from Ludwig by Vegenics.

A Management Services Agreement was signed in March 2007 between Circadian and Vegenics relating to the provision of management and related support services by Circadian to Vegenics. The agreement provides for $75,000 plus GST per month payable in arrears and is effective from 1 March 2007 to 1 September 2007.

28. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

Dominique Fisher	Chairman (non-executive)
Leon Serry	Managing Director
Graeme Kaufman	Executive Director
John Stocker	Director (non-executive)
James MacKenzie	Director (non-executive)
Don Clarke	Director (non-executive)

(ii) Executives

Natalie Korchev	Company Secretary & Chief Financial Officer
Robert Klupacs	Manager, Strategic Development

There have been no changes to the key management personnel after reporting date and before the date the financial report was authorised for issue.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

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28. KEY MANAGEMENT PERSONNEL (continued)

(b) Compensation of Key Management Personnel

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
Short-term employee benefits	1,822,763	1,540,548	1,822,763	1,540,548
Post-employment benefits	164,049	135,932	164,049	135,932
Long-term benefits	24,361	10,962	24,361	10,962
Termination benefits	-	-	-	-
Share-based payment	639,562	147,960	639,562	147,960
	2,650,735	1,835,402	2,650,735	1,835,402

Circadian has applied the option under *Corporations Amendments Regulation 2006* to transfer key management personnel remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

(c) Option holdings of Key Management Personnel (Consolidated)

		Balance at beginning of period 1 July	*Granted as Remune-ration*	*Options Exercised*	*Net Change Other #*	*Balance at end of period 30 June*	*Total at end of period*	
							Exercisable (i.e. vested) "out of the money"	*Not exercisable * (i.e. not vested)*
Directors								
L. Serry	**2007**	**500,000**	**750,000**	**-**	**-**	**1,250,000**	**500,000**	**750,000**
	2006	1,025,000	-	-	(525,000)	500,000	375,000	125,000
G. Kaufman	**2007**	**250,000**	**500,000**	**-**	**-**	**750,000**	**250,000**	**500,000**
	2006	460,000	-	-	(210,000)	250,000	187,500	62,500
Executives								
N. Korchev	**2007**	**25,000**	**150,000**	**-**	**-**	**175,000**	**25,000**	**150,000**
	2006	75,000	-	-	(50,000)	25,000	18,750	6,250
R. Klupacs	**2007**	**-**	**500,000**	**-**	**-**	**500,000**	**-**	**500,000**
	2006	-	-	-	-	-	-	-
Total	**2007**	**775,000**	**1,900,000**	**-**	**-**	**2,675,000**	**775,000**	**1,900,000**
	2006	1,560,000	-	-	(785,000)	775,000	581,250	193,750

\# The options which were issued in the 2002 financial year expired in July 2005. As these options were "out of the money" during their entire term, they were not exercised by the relevant key management personnel.

* The options which were issued in the current financial year have not legally vested and vested options (which must achieve share price hurdles in order to vest) will only become exercisable in 2011. The options issued to L. Serry, although they have not legally vested, are deemed to be vested pursuant to AASB 2 *Share-Based Payments*.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

28. KEY MANAGEMENT PERSONNEL (continued)

(d) Performance rights held by Key Management Personnel (Consolidated)

		Balance at beginning of period 1 July	*Granted as Remune-ration*	*Rights Exercised*	*Net Change Other*	*Balance at end of period 30 June*	*Total at end of period*	
							Exercisable (i.e. vested)	*Not exercisable * (i.e. not vested)*
Directors								
L. Serry	**2007**	**128,110**	**-**	**-**	**-**	**128,110**	**-**	**128,110**
	2006	-	128,110	-	-	128,110	-	128,110
G. Kaufman	**2007**	**68,652**	**-**	**-**	**-**	**68,652**	**-**	**68,652**
	2006	-	68,652	-	-	68,652	-	68,652
Executive								
R. Klupacs	**2007**	**60,575**	**-**	**-**	**-**	**60,575**	**-**	**60,575**
	2006	-	60,575	-	-	60,575	-	60,575
Total	**2007**	**257,337**	**-**	**-**	**-**	**257,337**	**-**	**257,337**
	2006	-	257,337	-	-	257,337	-	257,337

* The performance rights which were issued in the 2006 financial year have not vested and are therefore not exercisable as at 30 June 2007.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

28. KEY MANAGEMENT PERSONNEL (continued)

(e) Shareholdings of Key Management Personnel (Consolidated)

Ordinary shares held in Circadian Technologies Limited (number)

		Balance at beginning of period 01 July	*Granted as Remuneration*	*On Exercise of Options*	*Net Change Other*	*Balance at end of period 30 June*
Directors						
L. Serry	**2007**	**2,100,000**	**-**	**-**	**-**	**2,100,000**
	2006	2,100,000	-	-	-	2,100,000
G. Kaufman	**2007**	**28,500**	**-**	**-**	**-**	**28,500**
	2006	28,500	-	-	-	28,500
J. Stocker	**2007**	**282,334**	**-**	**-**	**-**	**282,334**
	2006	282,334	-	-	-	282,334
D. Fisher (i)	**2007**	**10,000**	**-**	**-**	**7,500**	**17,500**
	2006	-	-	-	10,000	10,000
D. Clarke (i)	**2007**	**60,000**	**-**	**-**	**-**	**60,000**
	2006	-	-	-	60,000	60,000
J. MacKenzie	**2007**	**-**	**-**	**-**	**-**	**-**
	2006	-	-	-	-	-
P. Derham (ii)	**2007**	**-**	**-**	**-**	**-**	**-**
	2006	500,001	-	-	(500,001)	-
Executives						
N. Korchev	**2007**	**-**	**-**	**-**	**-**	**-**
	2006	-	-	-	-	-
R. Klupacs (iii)	**2007**	**-**	**-**	**-**	**3,500**	**3,500**
	2006	-	-	-	-	-
Total	**2007**	**2,480,834**	**-**	**-**	**11,000**	**2,491,834**
	2006	2,910,835	-	-	(430,001)	2,480,834

(i) D. Fisher and D. Clarke were appointed to the Board on 1 September 2005. Mr Clarke held his shares prior to becoming a director of Circadian.

(ii) Sir P. Derham retired as a director of Circadian on 6 October 2005. On date of retirement, he held 500,001 shares in Circadian.

(iii) R. Klupacs became an executive of Circadian on 15 August 2005.

Any equity transactions by key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more or no less favourable than those the Group would have adopted if dealing at arm's length, that is they are on-market transactions.

(f) Loans to Key Management Personnel (Consolidated)

There were no loans to key management personnel during the current financial year and the previous financial year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

28. KEY MANAGEMENT PERSONNEL (continued)

(g) Other transactions and balances with Key Management Personnel and their related parties

Director Related Entity Transactions:

Purchases

(i) During the year legal fees, including miscellaneous expenses, totalling $122,955 (2006: $71,129) were incurred by the consolidated entity for services provided by the legal firm of Minter Ellison of which Don Clarke, a director of the Company, is a partner. These legal fees were charged at commercial rates.

(ii) Antisense Therapeutics Limited, a company in which Polychip Pharmaceuticals Pty Ltd (a 100% owned subsidiary) has a 19.3% shareholding, rented premises during the year from Castlegreen Pty Ltd, a company in which Leon Serry, Polychip's Managing Director, is a director and major shareholder. The total amount of rent, rates and taxes paid by Antisense Therapeutics during the year was $96,872 (2006: $92,410) and was based on commercial rental rates.

Revenue

(i) During the year, secretarial fees totalling $22,500 (2006: $22,500) were paid by Traders Macquarie Pty Ltd to Circadian Technologies Limited. Leon Serry, the Managing Director of the consolidated entity, is a director and major shareholder of Traders Macquarie Pty Ltd.

Amounts recognised at the reporting date in relation to director related entity transactions:

	2007 $	2006 $
Assets and liabilities:		
Current assets	-	-
Non-current assets	-	-
Total assets	-	-
Current liabilities		
Payables	31,851	6,757
Non-current liabilities	-	-
Total liabilities	31,851	6,757
Revenues and expenses:		
Revenue	22,500	22,500
Total revenue	22,500	22,500
Administrative expenses (legal fees)	87,558	19,477
Other expenses (legal fees)	35,397	51,652
Total expenses	122,955	71,129

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

29. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Expense arising from equity-settled share-based payment transactions (note 8(f))	646,207	152,260	646,207	152,260

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2007 and 2006.

(b) Types of share-based payment plans

Options

Share options are granted to executive directors and certain employees.

In valuing transactions settled by way of issue of options, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Circadian Technologies Limited. All options issued have market performance conditions so as to align shareholder return and reward for the Company's key management personnel.

Options issued in 2004

With respect to the options issued in the 2004 financial year the exercise prices were set at substantially higher prices than the Company's share price at grant date.

The contractual life of each option granted is five years. There are no cash settlement alternatives.

These options have four vesting dates, for various proportions of the total issued options, during the life of the options. The options issued in 2004 were "well out of the money" at the grant date and as at 30 June 2007.

Options issued in 2007

In September/October 2006 the remuneration committee examined the appropriateness of the long-term incentives to executives in place at that time. Based on its recommendation the Board of Directors resolved, subject to shareholder approval (which was received on 31 January 2007), to implement a Circadian Senior Management Option Plan (Option Plan) and offer options which are subject to performance hurdles. This replaced the Circadian Executive Performance Rights Plan. The options issued to employees (including senior executives) in 2007 pursuant to this Option Plan comprises of three tranches.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

29. SHARE-BASED PAYMENT PLANS (continued)

(b) Types of share-based payment plans (continued)

The options in each tranche will vest on the satisfaction of the following performance conditions within 5 years of the grant date (Performance Hurdles):

- *Tranche 1* – a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price (i.e. $1.875);
- *Tranche 2* – the Share Price achieves not less than 150% of the Exercise Price (i.e. $2.25); and
- *Tranche 3* – the Share Price achieves not less than 175% of the Exercise Price (i.e. $2.625).

The Share Price is to be calculated as the volume weighted average share price of Circadian shares traded on the ASX over a consecutive 15 day trading period.

Vested options may only be exercised at any time from the fourth anniversary of grant date up to and including the fifth anniversary of grant date.

The exercise price for each option granted is $1.50 (Exercise Price) to acquire one fully paid ordinary share in the Company. The Exercise Price is subject to any adjustment which is required under the ASX Listing Rules as a consequence of a capital reorganisation or a pro rata rights issue of shares which occurs after the grant of the options but prior to the exercise of the options.

In the past, Circadian has listed research and development projects in separate entities to the ASX with Circadian shareholders receiving entitlements to such listings. Also, Circadian has in the past returned capital to its shareholders. To ensure that option holders are rewarded for creating value for shareholders, subject to the ASX Listing Rules, the Board has retained a residual discretion to adjust the exercise price of options and/or reduce the Share Price hurdles described above for benefits provided to the members resulting from such listings and/or capital returns or other benefits provided to members.

The Board has residual discretion to accelerate vesting (i.e. reduce or waive the Performance Hurdles) and exercise of options in the event of a takeover or merger or any other circumstance in accordance with the terms of the Option Plan.

Options in relation to which performance conditions have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised, except in circumstances as described below.

Options which have not vested will lapse where an option holder ceases employment with Circadian other than on retirement, redundancy, death or total and permanent disablement, or unless as otherwise determined by the Board in its absolute discretion.

Where an option holder has ceased employment with Circadian as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period but not before the first anniversary of grant date, options (whether vested or not) may be retained by the option holder on a pro-rata basis (the pro-rata being calculated over the 4 year period from grant date). For example, if an option holder ceases employment for any of the reasons described in this paragraph on the second anniversary of grant date, then the option holder would be entitled to retain 50% of the options issued to them, however, they would not retain any options issued to them if they cease employment before the first anniversary of grant date. However, all options will be retained by an option holder on the date of retirement if that option holder has completed 15 years employment with the Company. The performance conditions for vesting, exercise date and the exercise period would remain unchanged subject to the other terms described above.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

29. SHARE-BASED PAYMENT PLANS (continued)

(b) Types of share-based payment plans (continued)

Performance rights

A Performance Rights Plan (Plan) was established during the 2006 financial year to provide annual grants of performance rights to certain executives of the Group. The first (and only) grant of performance rights was made in November 2005 to the three most senior executives. No further annual grants have been made or will be made under this Plan as the Option Plan described above has replaced this plan (see "*Options Issued in 2007*" above).

The Group used a relative Total Shareholder Return (TSR) as the performance hurdle in granting performance rights to its key management personnel. The objective of using the TSR based hurdle is to align comparative shareholder return and reward for the Company's key management personnel.

The performance rights granted under the Plan have a notional value of 25% of the remuneration package (i.e. salary plus superannuation) of each executive at the time of grant. The actual number of performance rights granted was calculated as 25% of the remuneration package of each executive divided by the average daily volume weighted sale price of Circadian shares over the 5 trading days immediately preceding the grant date.

There is no issue price for the performance rights granted and there is no exercise price applicable.

The number of performance rights that participants in the Plan will be able to exercise will be determined according to Circadian's TSR relative to a comparator group of companies over the three-year performance period ending on 30 June 2008.

TSR measures the return provided to shareholders by share price appreciation plus reinvested dividends/entitlements over the performance period, expressed as a percentage of the investment.

The comparator group for performance rights granted is the 50 ASX-listed companies ranked both above and below Circadian by market capitalisation, excluding listed property trusts and similar entities. Accordingly, the comparator group will comprise, if possible, 100 ASX listed companies.

No performance rights granted will become exercisable (or 'vest') unless Circadian's TSR over the performance period is equal to or above the TSR of the Company that is at the median of the comparator group of companies, ranked by their individual TSR performance, at which point 50% of the performance rights will vest.

All of the performance rights granted will vest if Circadian's TSR over the performance period is equal to or greater than the TSR of the company at the 75th percentile of the comparator group of companies, ranked by their TSR performance.

The number of performance rights granted that vest will increase by 2% for each one percentile increase in Circadian's TSR performance between the median and the 75th percentile over the performance period.

Vested performance rights may be exercised at any time on or before the expiry of 10 years from the date the performance rights are granted, subject to compliance with the Company's share trading policy (i.e. seven years after the performance test is satisfied). There are no cash settlement alternatives.

As mentioned earlier, the assessment of whether the performance hurdles for the performance rights granted in 2005 have been met will occur shortly after 30 June 2008. The assessment of whether performance hurdles have been met will be performed by the independent consulting firm which recommended these performance rights as a long-term incentive.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

29. SHARE-BASED PAYMENT PLANS (continued)

(c) Summary of options granted

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

Date of Issue	5/3/2007 (i)	8/2/2007 (i)	25/9/2003 (ii)
On issue at the beginning of the year	-	-	800,000
Granted during the year	120,000	1,900,000	-
Exercised during the year	-	-	-
Expired during the year	-	-	-
Outstanding at the end of the year	120,000	1,900,000	800,000
Exercisable at the end of the year	-	-	800,000
Number of recipients	4	5	4
Exercise price	$1.50	$1.50	(ii)
Exercise period from	9/3/2011	8/2/2011	25/9/2003
To	9/3/2012	8/2/2012	25/9/2008
Expiration day	9/3/2012	8/2/2012	25/9/2008

(i) As stated earlier, the options granted may not be exercised for 4 years and will vest on the satisfaction of the following performance conditions within 5 years of the grant date of the options:

- *Tranche 1* – a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price (i.e. $1.875);
- *Tranche 2* – the Share Price achieves not less than 150% of the Exercise Price (i.e. $2.25); and
- *Tranche 3* – the Share Price achieves not less than 175% of the Exercise Price (i.e. $2.625).

(ii) The exercise price on options issued are as follows:

1/3 options exercisable at $2.62 per share
1/3 options exercisable at $2.87 per share
1/3 options exercisable at $3.12 per share

The following proportion of options vested from the dates shown:

25% - 25/9/03
25% - 25/9/04
25% - 25/9/05
25% - 25/9/06

(d) Option pricing models for options granted

The following assumptions were used to derive a value for the options granted using the Monte Carlo Simulation model (for options issued in 2007) and the Binomial model (for options issued in 2003) as at the grant date, taking into account the terms and conditions upon which the options were granted:

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

29. SHARE-BASED PAYMENT PLANS (continued)

(d) Option pricing models for options granted (continued)

Issue date of options	5/3/2007	8/2/2007	25/9/2003
Dividend yield	0.00%	0.00%	1.04%
Expected annual volatility	37.5%	37.5%	45.00%
Risk-free interest rate (p.a.)	5.79%	5.99%	5.41%
Expected life of option (years)	4.5	4.5	5
Fair value per option	41.01¢ - 43.34¢	67.45¢ - 68.56¢	68¢ - 78¢
Exercise price per option	$1.50	$1.50	* $3.00 - $3.50
Share price at grant date	$1.27	$1.61	$2.25
Model used	Monte Carlo	Monte Carlo	Binomial

* The exercise prices per option on date of grant were $3.00 to $3.50, however the exercise price has reduced by 38 cents per option as a result of a return of capital to shareholders (38 cents per share) in October 2004. The adjusted exercise price per option is detailed in (c)(ii) above.

With respect to the options issued in 2003, the expected life of the options is assumed to be total years from grant date to expiration and for the options issued in 2007, the effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life. These are not necessarily indicative of exercise patterns that may occur in the future. In respect to the options granted in 2007, the expected volatility was determined using historic data over a three year period from February 2004 to February 2007. The expected volatility for the options issued in 2003 is based on the 12 months of monthly observations prior to September 2003. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Options in Circadian Technologies Limited are not listed and as such do not have a market value.

(e) Summary of performance rights granted

The following table illustrates the number of and movements in performance rights during the current year:

Date of Issue	2/11/05
On issue at the beginning of the year	257,337
Granted during the year	-
Vested during the year	-
Expired during the year	-
Outstanding at the end of the year	257,337
Exercisable at the end of the year	-
Number of recipients	3
Exercise price	$Nil
Vesting date (i)	30/06/08
Expiry date	30/06/15
Fair value (ii)	$0.23

(i) The number of performance rights which may vest, if any, will be determined based on Circadian's TSR (as described earlier in this note) over the performance period which commenced on 1 July 2005 and will end on 30 June 2008.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

29. SHARE-BASED PAYMENT PLANS (continued)

(e) Summary of performance rights granted (continued)

(ii) The fair value of the performance rights granted in the prior year was performed by the independent consulting firm who recommended these performance rights. The valuation was performed based on estimates of TSR for Circadian compared to the TSR of the comparator group of companies over the performance period ending 30 June 2008 and took into account the probability of performance hurdles being achieved. The key steps undertaken to perform the valuation were as follows:

- estimation of the increase in the value of each of the Group's listed investments as of date of grant over the performance period ending on 30 June 2008 based on discounted cash flow analysis
- projection of the research and development expenditure for the Group's unlisted projects from date of grant to 30 June 2008
- estimation of Circadian's TSR based on the sum of the above
- estimation of the TSR of each company in the comparator group based on their respective implicit growth as per their price earnings ratios
- ranked the comparator companies by estimated TSR performance in ascending order
- grouped the ranked comparator companies e.g. bottom half, second quartile and top quartile
- established the required Circadian estimated closing share price as at 30 June 2008 that would equate to the estimated comparator company performance e.g. what would be the required closing share price for Circadian to achieve a 2.5%, 10.0% TSR, etc.
- applied a probability to the Circadian TSR reflecting the probability of it falling within each quartile (note: 8.08% TSR is the minimum required prior to any rights vesting under this valuation method and the assumptions used)
- calculated the probability weighted value of each right in each quartile and summed these to establish the probability weighted value per right in future value terms. This was then discounted to establish the probability weighted value per right in present value terms.

30. FAIR VALUE AND INTEREST RATE RISK

(a) Fair values

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

30. FAIR VALUE AND INTEREST RATE RISK (continued)

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2007	<1 year $	>1-<2 years $	Total $	Weighted average effective interest rate %
CONSOLIDATED				
FINANCIAL ASSETS				
Floating rate				
Cash at bank	2,243,383	-	2,243,383	3.33
Short term deposits	45,950,000	-	45,950,000	6.17
Weighted average effective interest rate	*4.75%*	-		
PARENT				
FINANCIAL ASSETS				
Floating rate				
Cash at bank	1,529,151	-	1,529,151	4.09
Short term deposits	29,250,000	-	29,250,000	6.24
Weighted average effective interest rate	*5.17%*	-		
Year ended 30 June 2006				
CONSOLIDATED				
FINANCIAL ASSETS				
Floating rate				
Cash at bank	4,932,460	-	4,932,460	3.00
Short term deposits	9,675,000	-	9,675,000	5.58
Weighted average effective interest rate	*4.29%*	-		
PARENT				
FINANCIAL ASSETS				
Floating rate				
Cash at bank	4,748,389	-	4,748,389	3.46
Short term deposits	9,500,000	-	9,500,000	5.58
Weighted average effective interest rate	*4.52%*	-		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Group and Parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

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31. COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for the office premises. The lease has an average term of three years with a further term of three years. There are no restrictions placed upon the lessee by entering into this lease.

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

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
Within one year	83,557	80,288	83,557	80,288
After one year but not more than five years	-	87,361	-	87,361
	83,557	167,649	83,557	167,649

(ii) Research projects commitments

The Group has entered into research and development agreements with various parties (refer to note 26 for details of the projects). Expenditure commitments relating to research projects are payable as follows:

Within one year	1,338,559	1,292,857	-	-
After one year but not more than five years	332,500	223,323	-	-
	1,671,059	1,516,180	-	-

(iii) Commitments relating to associates

See note 16(e) for the Group's share of the associates' commitments.

(iv) Guarantees

No guarantees were given or received by the Group during the year.

(b) Contingencies

Vegenics Limited, a subsidiary of Circadian, is a party to various research agreements with respect to which a commitment to pay is contingent on the achievement of research milestones. Assuming all milestones are achieved within the timeframes stipulated in the contracts, those which could become payable in less than one year total $241,434 and those which could become payable in more than one year total $300,000.

Further, under license/collaboration agreements with two third parties, payments are to be made only if certain research and clinical development milestones are achieved and royalties may become payable on any eventual sales of products developed under these agreements.

32. EVENTS AFTER THE BALANCE SHEET DATE

(i) At the date of this report, the market value of the consolidated entity's shareholdings in listed investments decreased by $2,147,040 to $17,567,358. The decrease in market value of these investments since year end is not reflected in the financial report.

(ii) In July 2007, Vegenics and SienaGen srl formed a US company, Kappa Life Sciences Inc (Kappa), which will be focused on the development of orthopaedic applications of VEGF-D, based on the discovery of VEGF-D's role in bone remodelling by Dr Salvatore Oliviero's laboratory at the University of Siena.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2007

32. EVENTS AFTER THE BALANCE SHEET DATE (continued)

The transaction involves Kappa acquiring 100% of SienaGen with Vegenics making an initial €1 million (approximately A$1.6 million) investment into Kappa which will provide Vegenics with a 25% interest in that company. Vegenics will provide a worldwide licence to SienaGen of its intellectual property covering VEGF-D protein in the field of orthopaedic disease therapeutics, and SienaGen will grant to Vegenics an exclusive licence to its intellectual property in respect of VEGF-D for all other applications. Vegenics has to date paid €100,000 (A$158,705) and will pay the balance of €900,000 (approximately A$1.4 million) once the applicable conditions precedent are met under the agreements relating to the transaction.

33. AUDITORS' REMUNERATION

The auditor of Circadian Technologies Limited is Ernst & Young.

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated group	92,968	84,270	60,780	64,990
• other services in relation to the entity and any other entity in the consolidated group				
- tax compliance	14,100	8,090	12,680	8,090
- other tax services	32,340	-	27,500	-
- assurance related	11,659	9,270	2,000	9,270
- special audits required by regulators	5,150	-	-	-
	156,217	101,630	102,960	82,350

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CIRCADIAN TECHNOLOGIES LIMITED (ACN 006 340 567) AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Circadian Technologies Limited, we state that:

(1) In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

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

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

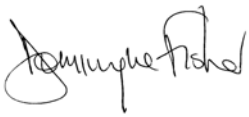
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the Board:



Leon Serry
Director



Dominique Fisher
Director

Melbourne
14 August 2007

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OTHER INFORMATION

	Consolidated	
	2007	**2006**
NTA backing		
Net tangible asset backing per ordinary security	$1.52	$1.41
Ratios		
Consolidated net profit/(loss) from ordinary activities after tax attributable to members as a percentage of equity at the end of the year	18.4%	(11.4)%

Status of audit of accounts

This Appendix 4E is based on accounts which have been audited. The audit report is included with the financial report which forms part of this Appendix 4E.

Annual General Meeting

The annual general meeting will be held as follows:

Place:	The Royce Hotel 379 St Kilda Road Melbourne, Victoria
Date:	Thursday, 25 October 2007
Time:	9.00 am
Approximate date the annual report will be available:	24 September 2007