2 August 2005

CIRCADIAN TECHNOLOGIES LIMITED
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The Companies Section
The Australian Stock Exchange Limited
530 Collins Street
MELBOURNE VIC 3000

No. of Pages: 68

Dear Sir/Madam

Re: PRELIMINARY FINAL REPORT (APPENDIX 4E) (AUDITED) FINANCIAL YEAR ENDED 30 JUNE 2005

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 'consolidated entity') for the year ended 30 June 2005.

Results

The profit of the consolidated entity for the year was $21,769,694 (2004: profit of $5,802,611). The profit for the year reflects the gain on the disposal of the consolidated entity's interest in Axon Instruments Inc amounting to $26,452,624, which was acquired by the US company Molecular Devices Corporation ("Molecular Devices") in a merger transaction. The consideration received by Circadian was partly paid in cash (approximately 50%) and partly paid by the issue of Molecular Devices shares (approximately 50%). The consolidated entity during the year also sold its interest in Molecular Devices resulting in a further gain of $3,490,252. These gains are offset by a foreign exchange loss of $1.1 million due to the strengthening of the Australian dollar against the US dollar during the year. No capital gains tax has arisen on the disposal of Circadian's holdings in Axon or Molecular Devices shares. The attached Review of Operations Report provides more information relating to the disposal of the interests in Axon and Molecular Devices.

The profit for the previous corresponding period included a gain of $6,235,425 on the sale of 6 million fully paid ordinary shares in Metabolic Pharmaceuticals Limited. Circadian retains 48 million ordinary shares in Metabolic representing 19.4% of the issued capital of that company.

The current year's result also includes an unrealised loss of $4,585,349 in the combined book values of Circadian's shareholdings in Amrad Corporation Limited ("Amrad") and Avexa Limited ("Avexa") and an unrealised loss of $868,434 in the consolidated entity's investment in the listed options of Antisense Therapeutics Limited. In September 2004 Amrad demerged its anti-infectives drug portfolio into a new corporate entity, Avexa Limited, which was listed on the Australian Stock Exchange. This unrealised loss reflects the decrease in both Amrad's and Avexa's respective share prices at year end. The unrealised provision for diminution in the combined book value of these holdings has increased from $4,900,634 to $9,485,983. Further information regarding the Avexa demerger is provided in the Review of Operations Report attached.

Subsequent to 30 June 2005, the combined market value of Circadian's shareholdings in Amrad and Avexa increased by $2,598,151 to $17,102,135. The increase in market value of these investments since year end is not reflected in the 30 June 2005 financial results.

The consolidated profit for the previous corresponding period of $5,802,611 included an unrealised gain in the book value of Circadian's shareholding in Amrad (i.e. before Avexa was demerged) of $1,130,583 reflecting the increase in Amrad's share price from 30 June 2003 to 30 June 2004.

The profit for the year is also after operating costs of $3,250,196 which includes all research and development and patenting costs. Interest income of $1,473,513, earned on bank term deposits, reduced the operating costs to a net amount of $1,776,683.

Circadian's listed share portfolio had a market value of $56 million at 1 August 2005, significantly in excess of the book value of $19.6 million. Details with respect to these holdings are provided in this announcement under the heading "Circadian's Holdings in Listed Companies and Cash".

Net cash reserves (total cash less borrowing) as at 1 August 2005 amounted to $19.2 million.

Excluding the Amrad and Avexa holding, Circadian's listed share portfolio had a market value of $34.3 million at 30 June 2005, compared with a book value of $2.5 million.

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

Capital Return & Unfranked Dividends

- In October 2004, Circadian provided its shareholders with a 50 cents per share return comprising of the following:
  - a capital return of 38 cents per share
  - an unfranked special dividend of 12 cents per share

  The total distribution amounted to $20.1 million.
- In February 2005, Circadian provided its shareholders with a further 15 cents per share unfranked special dividend amounting to a total of $6 million.

R&D Projects and Circadian's listings

The excerpts below are 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.

- *Alzheimer's Disease Project (Circadian's interest: 100%)* – A number of compounds has been synthesized and tested in the assay system for measuring uptake of compounds into the brain. Work continues to establish the feasibility of the uptake of antisense oligonucleotides into the brain.

- *Cancers of Unknown Primary Project* - a protocol is being developed to access samples from a third party clinical trial (planned to be conducted in the UK and the US) to validate the project's microarray system. Also, a new PCR-based assay platform is being developed to enable use of routine diagnostic samples in the test.

- *Metabolic Pharmaceuticals Limited (Circadian interest: 21%)* – On 3 June 2005 Metabolic advised: "As previously announced, the Phase 2b clinical trial of AOD9604 conducted over 2004 and early 2005 involved the treatment of 300 obese men and women with placebo or daily AOD9604 doses ranging from 1 mg and 30 mg over 12 weeks.

  The trial provided evidence of competitive weight loss with AOD9604 dosing in both men and women at the lowest dose tested, 1 mg. Additional positive indications include excellent safety & tolerability, reduction in risk of diabetes, improved lipid profiles and lack of rebound weight gain after treatment. Because the lowest dose tested was the best dose, we now need to determine whether even lower doses might be as good or better. Trends in the previous Phase 2b trial and laboratory experiments indicate that this might be the case.

  Thus before pivotal Phase 3 trials can commence, we will conduct another human study to identify this optimal dose to ensure that the best dose is selected for commercialisation."

- Metabolic announced on 23 June 2005 "that dosing in the ACV1 Phase I human clinical trial commenced on schedule today in Adelaide, South Australia. Metabolic's innovative pain drug is being developed in response to a serious need for new pain killers with novel modes of action."
  (ASX: MBP; website: www.metabolic.com.au)

- *Disposal of Axon Instruments Inc and Molecular Devices shares* - As stated earlier, in July 2004 the consolidated entity's holding in Axon was acquired by US company Molecular Devices in a merger transaction. The total gain realised by Circadian, including the sale of the Molecular Devices shares received as part consideration for the Axon disposal, amounted to $29,942,876. No capital gains tax has arisen on the disposal of Circadian's holdings in Axon or Molecular Devices shares.

- *Antisense Therapeutics Limited (Circadian's direct and indirect interest: 27%)* - Antisense Therapeutics advised in its May 2005 Investor Update that, "The Proof of Concept study of ATL1101 in patients with mild to moderate psoriasis is proceeding to schedule. The study is now fully enrolled and dosing has commenced in all patients."

- On 21 December 2004 Antisense Therapeutics announced "the initiation of a Phase 2a clinical trial of ATL1102 in patients with multiple sclerosis (MS)." On 10 March 2005 Antisense Therapeutics announced that, "in light of the safety issues associated with the multiple sclerosis drug Tysabri® [being the MS drug which as been developed by US company Biogen Idec and its partner Elan Corporation], it has voluntarily halted its Phase 2a trial of ATL1102 in MS patients and would convene an advisory group of relevant experts to consider the potential development paths for ATL1102 in this disease, including the possible restart of the Phase 2a program."
  (ASX: ANP; website: www.antisense.com.au)

- *Optiscan Imaging Limited (Circadian interest: 7%)* - On 26 October 2004 Optiscan announced, "that the US Food and Drug Administration has provided regulatory clearance for the Pentax/Optiscan flexible endo-microscope to be sold in the USA. This follows the announcement on 15 October that regulatory approval for Europe and other countries, known as 'CE Mark' has also been granted."

  On 15 April 2005, Optiscan announced that "Digestive Diseases Week (DDW) conference organisers publicly released new efficacy data from several Optiscan/Pentax flexible endo-microscope hospital trials." Optiscan reported that "Excellent clinical efficacy data now support the use of the flexible endo-microscope in detection and diagnosis of several of the most important gastrointestinal diseases including: Barrett's Esophagus...Ulcerative Colitis...Helicobacter Pylori...Colon cancer ...and Gastric cancer...Numerical efficacy data from several of the studies have consistently demonstrated high diagnostic accuracy using Optiscan/Pentax flexible –endomicroscopes."
  (ASX: OIL; website: www.optiscan.com)

Other

- *Amrad Corporation Limited (Circadian interest: 22%)* - On 7 September 2004, Amrad announced "successful completion of the final steps in the demerger and spin-out of its anti-infectives business, Avexa Limited". Amrad shareholders became entitled to 1 ordinary share in Avexa for every 2 ordinary shares held in Amrad (at a record date) which in total comprised approximately 80% of the demerged company while Amrad itself retained 19.99%. Circadian, as an Amrad shareholder, became entitled to 17.6% of the total issued capital of Avexa. Official quotation of Avexa's issued share capital on the Australian Stock Exchange commenced on 23 September 2004.
  (ASX: AML; website: www.amrad.com.au)

- *Avexa Limited (Circadian interest: 15.3%)* – On 25 July 2005 Avexa announced that, "the international Phase IIb trial of its lead HIV compound – AVX754 – is now underway. The trial is aimed at patients who are failing their current HIV therapy."
  (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 respective websites, as detailed above, and on www.asx.com.au.

Circadian's Holdings in Listed Companies and Cash

As at close of trading on 1 August 2005, 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	18.9	32,409	0.81
Optiscan Imaging	6.4	2,139	0.05
Antisense Therapeutics ¶	26.9	4,441	0.11
Amrad Corporation	22.6	13,850	0.35
Avexa Limited	13.9	3,252	0.08
Cash		19,200	0.48
Total		**75,291**	**1.88**

¶ Including listed options

The market value of the company's listed share portfolio as at 1 August 2005 and net cash is $75.3 million, equating to $1.88 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

APPENDIX 4E

Preliminary final report

Name of entity:	**CIRCADIAN TECHNOLOGIES LIMITED**
ABN:	**32 006 340 567**
Reporting period:	**FINANCIAL YEAR ENDED 30 JUNE 2005**
Previous corresponding period:	FINANCIAL YEAR ENDED 30 JUNE 2004

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The consolidated results of Circadian Technologies Limited for the year ended 30 June 2005 are as follow:

Revenues and Results from Ordinary Activities:		Change compared to 2004 %		2005 $
Revenues from ordinary activities	Up	552	to	47,393,942
Profit from ordinary activities after tax attributable to members	Up	275		21,769,694
Net profit for the year attributable to members	Up	275		21,769,694

Brief explanation of figures reported above:

Revenues from ordinary activities:

The figure for the year ended 30 June 2005 includes gross revenue of $45,781,061. This amount comprises:

a) Consideration from the disposal of Axon Instruments Inc in the form of:	
i) Cash	$13,709,070
ii) Issue of shares in Molecular Devices Corporation	$13,905,331
	$27,614,401
b) Cash received on the disposal of the Molecular shares acquired as per a) ii) above.	$17,074,007
c) Foreign exchange loss	$ 1,092,653
Total	$45,781,061

This revenue has been recognised in the Statement of Financial Performance in accordance with Australian Accounting Standards. Accordingly, the total cash proceeds from the disposal of Axon shares and the Molecular Devices shares amounted to $30,783,076 being the sum of items a)i) and b) above.

Revenues from ordinary activities in the prior year include the sale of 6 million shares in Metabolic Pharmaceuticals Ltd ('Metabolic') for a net gain of $6,235,425. Circadian retains 48 million ordinary shares in Metabolic representing 19.4% of the issued capital of that company.

Net profit for the year:

The consolidated profit for the year reflects the gain on the disposal of Axon amounting to $26,452,624 and a further gain of $3,490,252 on the sale of its shares in Molecular Devices.

The current year's result is also after an unrealised loss of $4,585,349 in the combined book values of Circadian's shareholding in Amrad Corporation Limited ('Amrad') and Avexa Limited ('Avexa') and an unrealised loss of $868,434 in the consolidated entity's investment in the listed options of Antisense Therapeutics Limited. The unrealised loss in Amrad and Avexa reflects the decrease in both of their respective share prices at year end. The unrealised provision for diminution in the combined book value of these holdings has increased from $4,900,634 to $9,485,983.

The consolidated profit for the previous corresponding period of $5,802,611 included the gain of $6,235,425 on the sale of 6 million ordinary shares in Metabolic (as mentioned above) and an unrealised gain in the book value of Circadian's shareholding in Amrad (ie. before Avexa was demerged) of $1,130,583 reflecting the increase in Amrad's share price from 30 June 2003 to 30 June 2004.

The profit for the current reporting year is also after operating costs of $3,250,196 which includes all research and development and patenting costs. Interest income of $1,475,556, earned on bank term deposits reduced the operating costs to a net amount of $1,776,683.

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

Capital Return & Other Shareholder Distributions

- In October 2004, after approval was received from shareholders at a general meeting, Circadian provided its shareholders with a 50 cents per share return comprising of the following:
  - a capital return of 38 cents per share
  - an unfranked special dividend of 12 cents per share

  The total distribution amounted to $20.1 million.

  Circadian obtained a Class Ruling from the Australian Taxation Office indicating that, under this distribution, the return of capital component of 38 cents will not be a dividend for income tax purposes.

- In February 2005, Circadian provided its shareholders with a further 15 cents per share unfranked special dividend amounting to a total of $6 million.

COMMENTARY ON RESULTS

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

The profit of the consolidated entity for the year was $21,769,694 (2004: profit of $5,802,611). The profit for the year reflects the gain on the disposal of the consolidated entity's interest in Axon Instruments Inc amounting to $26,452,624, which was acquired by the US company Molecular Devices Corporation ("Molecular Devices") in a merger transaction. The consideration received by Circadian was partly paid in cash (approximately 50%) and partly paid by the issue of Molecular Devices shares (approximately 50%). The consolidated entity during the year also sold its interest in Molecular Devices resulting in a further gain of $3,490,252. These gains are offset by a foreign exchange loss of $1.1 million due to the strengthening of the Australian dollar against the US dollar during the year. No capital gains tax has arisen on the disposal of Circadian's holdings in Axon or Molecular Devices shares. The attached Review of Operations Report provides more information relating to the disposal of the interests in Axon and Molecular Devices.

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- *Avexa Limited (Circadian interest: 15.3%)* – On 25 July 2005 Avexa announced that, "the international Phase IIb trial of its lead HIV compound – AVX754 – is now underway. The trial is aimed at patients who are failing their current HIV therapy."
  (ASX: AVX; website: www.avexa.com.au)

For further details regarding Circadian's projects and technology holdings refer to the Review of Operations report which follows.

REVIEW OF OPERATIONS REPORT

During the year ended 30 June 2005, the consolidated entity ('Company' or ' Circadian') further progressed its research projects in the areas of neuroscience and cancer. The Company also provided shareholders with a return of capital of 38 cents per share and declared unfranked dividends totalling 27 cents per share, providing a total return to shareholders of 65 cents per share during the 2005 financial year. During the period under review Axon Instruments Inc., in which Circadian had a 15% interest, was acquired by US company Molecular Devices Corporation giving rise to a gain of $26.5 million. Circadian also disposed of its holding of Molecular Devices ordinary shares, which were received as part consideration for the sale of the Axon interest, providing a further gain of $3.5 million.

Gain on sale of Axon Instruments holding

On 1 July 2004, Molecular Devices Corporation "announced that it has completed its acquisition of Axon Instruments, Inc." Circadian realised a gain of $26,452,624 on the disposal of its interest in Axon (net consideration of $28,385,478 less cost of investment of $1,932,854). The consideration received by Circadian was partly paid in cash (approximately 50%) and partly paid by the issue of Molecular Devices shares (approximately 50%).

Circadian's original intention was to retain its holding in Molecular Devices shares that it acquired through the Axon merger as a long-term investment in order to participate in the success of the merged entity. However, due to the increased currency risk of the US dollar during the period, the Board unanimously decided to sell the consolidated entity's entire holding, thus limiting its foreign exchange exposure. The consolidated entity realised a gain of $3,490,252 on the disposal of this holding.

These gains are offset by a foreign exchange loss of $1.1 million due to the strengthening of the Australian dollar against the US dollar during the period.

No capital gains tax liability has arisen on the disposal of Circadian's holding in Axon or Molecular Devices shares.

The major portion of the investment in Axon (91%) lost its pre-capital gains tax (CGT) status on 1 July 1999 in accordance with legislation introduced at that time. However the holding was deemed to have a cost base for capital gains tax equivalent to its market value on 1 July 1999, which was higher than the consideration received on the disposal of this portion of the company's holding in Axon.

Further, the capital gains tax (CGT) law was amended in April 2004. This amendment had the effect of providing a reduction in the capital gain or loss made by a company on the disposal of shares in a foreign resident company, where the shareholding company:

- has at least 10% interest in that company;
- has held the shares for a minimum 12 month period; and
- where the foreign company carries on an underlying "active foreign business".

The post-capital gains tax status of the Axon shares (i.e. the 91% which originally had a pre-CGT status), together with the April 2004 capital gains tax (CGT) amendment, effectively eliminated the tax liability on disposal of the company's entire holding of Axon shares and subsequently the Molecular Devices shares.

Return of Capital & Other Shareholder Distributions

In October 2004, after approval was received from shareholders at a general meeting, Circadian provided its shareholders with a 50 cents per share return comprising of the following:

- a capital return of 38 cents per share
- an unfranked special dividend of 12 cents per share

The total distribution amounted to $20.1 million.

Circadian obtained a Class Ruling from the Australian Taxation Office indicating that, under this distribution, the return of capital component of 38 cents will not be a dividend for income tax purposes.

On 1 February 2005 the Board of Directors approved a further distribution to shareholders in the form of a special unfranked dividend of 15 cents per share which was paid later that month. The total distribution amounted to $6 million.

PROJECTS AND TECHNOLOGY HOLDINGS

Detailed below is an update on the consolidated entity's interests in research and development projects and listed technology holdings for the year ended 30 June 2005.

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 excerpts from the respective listed company's Australian Stock Exchange announcements. To form a view on the operations and performance of these listed companies, the ASX announcements issued by these companies should be read in full together with information available on their respective websites.

Metabolic Pharmaceuticals Limited - Advanced Obesity Drug & Other New Drug Development Projects
Circadian Holding 30 June 2005 - Market Value: *$29 million;* ***Book Value:*** *$5K*
Shareholders: *Circadian: 19.4%; Monash University: 8.8%; Others: 71.8%*

Company Background
In November 1998, Metabolic Pharmaceuticals Limited ("Metabolic") was listed on the Australian Stock Exchange. 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.

Circadian shareholders received an entitlement to subscribe for 1 option for every 1 share held in Circadian on the payment of 1 cent, which were exercisable at 20 cents prior to 31 July 2003.

AOD9604 Obesity Drug

The following information are excerpts from Metabolic's 2004 Annual Report:

"Obesity is a condition now suffered by over 20% of the adult population in developed countries and more than 300 million adults worldwide. In addition, 50% of adults in developed countries are overweight and are potential candidates for pharmaceutical intervention. Obesity is the Western world's most common health problem."

"Because existing medications for obesity fall well short of satisfying patients' needs, the development of improved obesity medications is a high opportunity research area. The best results achieved in clinical trials with these drugs show that there is considerable room for improvement in both efficacy and side effect profile...The two most popular current drugs act to suppress food intake, either by affecting the brain to reduce appetite or by affecting the gut to reduce absorption of dietary fat."

"Metabolic's drug, AOD9604, discovered at Monash University, acts on fat metabolism. It has proven to be effective in reducing obesity in laboratory animals through once daily oral administration without affecting food intake."

"AOD9604 is modelled on the active fat reducing portion of the human growth hormone molecule. Growth hormone occurs naturally in the body and is involved in promoting growth, particularly in children and adolescents. However, it also has a profound metabolic role throughout life."

Other Projects

Metabolic is conducting research in several other disease areas, including potential treatments for pain.

Update

The following are excerpts from Metabolic Pharmaceuticals Limited's ASX announcements as released on the dates indicated. These excerpts should be read in conjunction with their respective announcements.

- *AOD9604 for Obesity*
  The following is an excerpt from Metabolic's 3 June 2005 ASX Announcement.

  Background
  "As previously announced, the Phase 2b clinical trial of AOD9604 conducted over 2004 and early 2005 involved the treatment of 300 obese men and women with placebo or daily AOD9604 doses ranging from 1 mg and 30 mg over 12 weeks.

  The trial provided evidence of competitive weight loss with AOD9604 dosing in both men and women at the lowest dose tested, 1 mg. Additional positive indications include excellent safety & tolerability, reduction in risk of diabetes, improved lipid profiles and lack of rebound weight gain after treatment. Because the lowest dose tested was the best dose, we now need to determine whether even lower doses might be as good or better. Trends in the previous Phase 2b trial and laboratory experiments indicate that this might be the case.

  Thus before pivotal Phase 3 trials can commence, we will conduct another human study to identify this optimal dose to ensure that the best dose is selected for commercialisation."

  The next trial design
  "The new Phase 2 dose-finding clinical study has now been designed, based on experience from the recently completed trial, and with input from a wide variety of sources.

The trial will test three different daily doses (tablets of 1 mg, 0.5 mg, 0.25 mg and placebo). Between 10 and 15 clinical trial sites throughout Australia and in New Zealand will participate. Included are sites in WA, SA, Victoria, NSW, ACT and Queensland. As in the previous trial, the primary efficacy endpoint will be weight loss after 12 weeks of treatment, although the patients will be treated for a total of 24 weeks to gather valuable information on the longer-term benefits of the drug. It is anticipated that about 480 obese (BMI>30) patients will be recruited. The study is conservatively powered to achieve statistical significance for the primary endpoint if the average weight loss effect above placebo is more than 1.8 kg. In the previous trial the effect was 2.0 kg (2.8 kg compared to placebo 0.8 kg).

All recruits will be given a formal weight loss and exercise program, as close as possible to the programs used in Phase 3 trials on other obesity drugs. This will provide the best prediction of the outcome of a future Phase 3 trial with AOD9604."

Partnering Discussions
"The plans for this trial have been devised in parallel with our partnering discussions with a number of major pharmaceutical companies. These discussions are ongoing and could result in a partnering deal at any time before, during or after this next trial."

Next steps
"The detailed protocol is currently in preparation for submission to the institutional ethics committees for approval at the selected trial sites...The trial is projected to commence later this year as soon as these milestones are in place, with recruitment starting late Q3 or early Q4. We expect to complete the 24 week dosing period late next year."

- *ACV1 Analgesic*
  Metabolic announced on 23 June 2005 "that dosing in the ACV1 Phase 1 human clinical trial commenced on schedule today in Adelaide, South Australia. Metabolic's innovative pain drug is being developed in response to a serious need for new pain killers with novel modes of action.

  The drug (ACV1) has thus far demonstrated in animal studies that it reduces neuropathic (nerve) pain, appears to accelerate the functional recovery of damaged nerves, and is well tolerated. The Phase 1 study is the first time ACV1 has been administered to humans."

  Metabolic's 23 June 2005 ASX announcement should be read for details regarding the Phase 1 study design and expected timetable.

Metabolic's public announcements, which can be found on www.asx.com.au (ASX code: MBP) and www.metabolic.com.au and its 30 June 2005 annual report, once released, should be read in conjunction with this report.

Antisense Therapeutics Limited - Gene Directed Therapeutics
Circadian Holding 30 June 2005 – Market Value: *$3.2 million;* ***Book Value:*** *$2.0 million*
Shareholders: *Circadian: 20.4%; Syngene: 15.3%; Others: 64.3%*

Company Background
In December 2001, Circadian listed Antisense Therapeutics Limited ("ATL") on the Australian Stock Exchange. Circadian and Syngene shareholders received an entitlement to subscribe for one option, at one cent, to take up one unissued share in ATL at 20 cents on or before 1 February 2007 for every Circadian and Syngene share held as at the record date (namely 8 January 2002). Also, Circadian owns 42.4% of the issued capital of Syngene Limited and has been allotted 9,796,000 ATL options at a cost of 1 cent each. Circadian has also purchased 10,129,480 ATL options in on-market and off-market transactions since ATL's listing.

The following extracts from the Antisense Therapeutics 2004 Annual Report summarise the technology, partnerships and research pipeline of Antisense:

Antisense technology

"Antisense drugs are synthetic DNA-like compounds designed for use as medicines, which block disease processes by targeting messenger RNA with extraordinary precision. Unlike conventional small-molecule medicines, the discovery of which requires time-consuming and laborious trial-and-error, antisense medicines are rationally designed by directly exploiting the huge body of genetic information now available from the human genome project. Compared to conventional drugs, antisense aims to provide faster, more predictable drug discovery, with increased specificity of action and uniformity of methods of manufacture, formulation and delivery."

Isis Strategic Partnership

"A key aspect of the company's out-sourcing is the collaborations it has developed with (US based) Isis Pharmaceuticals, Inc. and the Murdoch Childrens Research Institute."

"The collaboration agreement with Isis provides Antisense Therapeutics with an extensive package of access to Isis' antisense drug discovery technology to commercialise antisense drugs to a number of protein targets including IGF-1R for Psoriasis and an exclusive license to ATL1102.....for Multiple Sclerosis."

"The collaboration agreement with Isis also provides access to and assistance in expanding Antisense Therapeutics' drug pipeline including the rapid generation of antisense lead compounds to potential therapeutic targets."

Multiple Sclerosis and ATL1102

"Multiple sclerosis (MS) is a life-long chronic, incurable disease, which progressively destroys the central nervous system (CNS). It is commonly diagnosed between the ages of 20 and 40 years.....Approximately 400,000 Americans acknowledge having MS, and every week about 200 individuals are diagnosed. Worldwide, MS may affect more than two million people."

"ATL1102 is a second-generation inhibitor of CD49d, a sub-unit of VLA-4 (Very Late Antigen-4). In MS, white blood cells (leukocytes) are believed to inappropriately migrate from the blood into the CNS. The inhibition of VLA-4 may prevent white blood cells from entering the CNS to stop the progression of MS. ATL1102 is designed to block the over production of VLA-4."

Psoriasis and ATL1101

"Psoriasis is a chronic, non-contagious skin disorder, which affects around 2% of the population." "The worldwide market for psoriasis treatments was valued at US$500 million in 2002 and there is an acknowledged unmet medical need for more effective and safer treatments. The market is forecast to grow beyond US$2billion by 2007 (Frost & Sullivan), with the emergence of new effective treatments."

"ATL1101 is a second-generation antisense drug designed to silence or suppress the gene for the insulin-like growth factor-I receptor (IGF-IR). IGF-IR's pivotal role in the regulation of cell overgrowth in Psoriasis was established by our research partner, the Murdoch Childrens Research Institute."

Other Research Projects

"Antisense Therapeutics is focusing on projects that target growth and vision disorders and major inflammatory diseases. The company has agreed a list of key research targets with Isis, and can during the research and development phase, select a certain number of those with the most potential to exclusively commercialise."

Update

The following are excerpts from Antisense Therapeutics' May 2005 Investor Update.

- *ATL1102 for Multiple Sclerosis*
  "On 10 March 2005, Antisense Therapeutics announced that in light of the safety issues associated with the multiple sclerosis drug Tysabri® [being the MS drug which has been developed by US company Biogen Idec and its partner Elan Corporation], it had voluntarily halted its Phase 2a trial of ATL1102 in MS patients and would convene an advisory group of relevant experts to consider the potential development paths for ATL1102 in this disease, including the possible restart of the Phase 2a program.

  While ATL1102 is a different drug to Tysabri® and works by a different mechanism (antisense), the relevance of the Tysabri® issue to Antisense Therapeutics is that ATL1102 is designed to target the same immune system protein (VLA-4) as Tysabri®. On 28 February 2005, Biogen Idec and Elan Corporation announced that they had voluntarily suspended marketing of Tysabri® from the U.S. market and dosing in all ongoing clinical trials. This decision was based on 2 reported cases of progressive multifocal leukoencephalopathy (PML), a rare and frequently fatal, demyelinating disease of the central nervous system, in patients who received Tysabri®.

  Subsequently, as a result of Biogen's and Elan's ongoing safety evaluation of Tysabri®, a previously diagnosed case of malignant astrocytoma was re-assessed as PML in a patient in an open label Crohn's disease clinical trial.

  Since the 10 March announcement, the Antisense Therapeutics team has successfully identified and selected a panel of leading world experts as members of its Medical Advisory Board with an immediate aim of providing Antisense Therapeutics with advice with respect to its MS product ATL1102. The Company believes that the quality of this advisory board reflects the MS community's keen desire to support the successful commercialisation of safe and effective drugs to treat MS. The establishment of the Medical Advisory Board also demonstrates Antisense Therapeutics' continued commitment to ATL1102 and its potential as a MS treatment."

- *ATL1101 for Psoriasis*
  "The Proof of Concept study of ATL1101 in patients with mild to moderate psoriasis is proceeding to schedule. The study is now fully enrolled and dosing has commenced in all patients.

  ATL1101 is being developed as a topical cream and is designed to block the synthesis of the IGF-I receptor, a protein involved in the regulation of cell growth in psoriasis.

  The Proof of Concept study (a microplaque assay) will examine the effects of this topical cream applied once every two days over a one month period. The study is a double blinded, within-patient (plaque) randomised, placebo controlled trial, testing the efficacy of two different drug concentrations (or doses) of ATL1101.

  As originally forecast, the study is expected to be completed mid-year with analysis of results from the study to be reported in Q3 2005."

- *Other Projects*
  During the financial year Antisense Therapeutics also further progressed other research projects, namely, ATL1102 for asthma and ATL1103 for growth and sight disorders. For further details refer to Antisense Therapeutics' May 2005 Investor Update.

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 2005 once released, should be read in conjunction with this report.

Optiscan Imaging Limited - Early Cancer Detection
Circadian Holding 30 June 2005 - Market Value: *$2 million;* ***Book Value:*** *$366K*
Shareholders: *Circadian: 6%; Others: 94%*

Company Background
In 1994, Fibre Optics (Aust) Pty Ltd (a wholly owned subsidiary of Circadian) acquired a 25% interest in Optiscan Imaging Limited ("Optiscan"). Optiscan acquired the early cancer detection project and patents from Circadian, Axon Instruments Inc and the inventors who had previously developed and managed the project. In August 1997, Circadian listed Optiscan on the Australian Stock Exchange at which time its interest was diluted to 15.35%. Circadian shareholders received an entitlement to subscribe for 1 option in Optiscan for every 4 shares held in Circadian on the payment of 1 cent, exercisable at 20 cents prior to 31 March 2002. At year end Circadian has a 6.3% interest in Optiscan.

The following information about Optiscan's main products in development and its licensing agreements have been derived from various public announcements made by Optiscan:

Flexible Endomicroscope

In February 2002, Optiscan "signed an important collaborative development and commercialisation agreement with Asahi Optical Co Ltd of Japan (better known as Pentax), the world's second largest manufacturer of medical endoscopes." *(8 February 2002, ASX announcement)* "Pentax recognised that Optiscan's unique confocal microscope technology coupled with their endoscopes would provide a quantum leap in the field of colonoscopy." *(AGM 13 November 2002, Managing Director's address)*

"Optiscan's technology enables a miniature microscope to be built into an endoscope, enabling immediate cellular level examination, without biopsy. It is believed that this breakthrough capability will provide Pentax with a competitive advantage in global endoscopy markets." *(Investor Update February 2002)*

Rigid Endoscope

Using its patented technology, Optiscan developed the world's first rigid endomicroscope. Rigid endoscopes have potential use in examining relatively easily accessible regions in the body.

"The miniaturised technology which enabled the flexible endoscope has been incorporated into a range of clinical grade prototype rigid endoscopes. This activity has created a product group with possible applications in gynaecology, orthopaedics, head and neck cancer, urology and keyhole surgery." *(AGM 13 November 2002, Managing Director's address)*

Optiscan License Agreements

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.

Update

Pentax Flexible Endomicroscope Project

- On 26 October 2004, Optiscan announced "that the US Food and Drug Administration has provided regulatory clearance for the Pentax/Optiscan flexible endo-microscope to be sold in the USA. This follows the announcement on 15 October that regulatory approval for Europe and other countries, known as 'CE Mark' has also been granted. The regulatory clearances now enable Pentax to make final preparations for market release, involving the production of product marketing materials and product specification information, plus arrangements for commissioning of instruments and training programs for operators."

- On 31 January 2005, Optiscan advised the market that it "has received a first year order worth over $5 million from Japanese imaging giant Pentax for supply of miniaturised microscope components that will be used to produce a new type of medical instrument called a flexible endo-microscope." "Optiscan CEO, Matthew Barnett, said 'We are thrilled with the size of this order as it is greater than our upper end forecast of 80 units. It shows that Pentax is committed to this technology and is a measure of their confidence for its success in the market.' "

- On 15 April 2005, Optiscan announced that "Digestive Diseases Week (DDW) conference organisers publicly released new efficacy data from several Optiscan/Pentax flexible endo-microscope hospital trials... DDW is the largest and most prestigious international meeting for gastroenterologists." The DDW conference took place from 14 – 19 May 2005.

  Optiscan reported that "Excellent clinical efficacy data now support the use of the flexible endo-microscope in detection and diagnosis of several of the most important gastrointestinal diseases including: Barrett's Esophagus...Ulcerative Colitis...Helicobacter Pylori...Colon cancer ...and Gastric cancer...Numerical efficacy data from several of the studies have consistently demonstrated high diagnostic accuracy using Optiscan/Pentax flexible–endomicroscopes." A table containing key statistical outcomes of trials conducted is included in Optiscan's 15 April 2005 announcement. Further details of certain trial results are detailed in announcements made by Optiscan on 18 and 19 May 2005.

Optiscan's public announcements, which can be found on www.asx.com.au (ASX code: OIL) and www.optiscan.com.au and its 30 June 2005 annual report once released, should be read in conjunction with this report.

Amrad Corporation Limited
Circadian Holding 30 June 2005 - Market Value: *$11.7 million;* ***Book value:*** *$11.7 million;*
Cost: *$16.8 million*
Shareholders: *Circadian: 22.6%; Others: 77.4%*

Company Background
Amrad Corporation Limited ("Amrad") is a drug discovery and development company based in Melbourne. It was established by the Victorian Government to commercialise local biomedical research, and listed on the ASX in December 1996.

Amrad's core business is the research and development of medicines to treat human diseases, and its portfolio of R&D compounds has resulted both from in-house research and from collaborations with leading Australian medical research institutes. It has research collaborations with overseas companies including Merck & Co Inc and Cambridge Antibody Technology Plc.

Circadian, Amrad's largest shareholder, made its initial purchase of 8.4 million Amrad shares in May 2000, and over the period to July 2002 increased its holding to 28.3 million shares.

Highlights
Some of the announcements made by Amrad to the Australian Stock Exchange during the year were:

- On 7 September 2004, Amrad announced "successful completion of the final steps in the demerger and spin-out of its anti-infectives business, Avexa Limited". Amrad shareholders became entitled to 1 ordinary share in Avexa for every 2 ordinary shares held in Amrad (at a record date) which in total comprised approximately 80% of the demerged company while Amrad itself retained 19.99%. Circadian, as an Amrad shareholder, became entitled to 17.6% of the total issued capital of Avexa, which has been reduced to 13.9% as a result of subsequent share placements by Avexa. Official quotation of Avexa's issued share capital on the Australian Stock Exchange commenced on 23 September 2004.

- Amrad announced on 21 October 2004 that, "it had received notification of the successful achievement of the third pre-clinical milestone from global pharmaceutical company Merck & Co., Inc which entitles Amrad to payment of US$3 million. Following the milestone payments received in November 2003 and March 2004, achievement of the third milestone reflects the rapid progress in the Company's collaboration to research and develop new asthma therapies. It will bring to US$14 million, Merck's total payments to Amrad since June 2003. The deal is potentially worth US$112 million to Amrad, plus royalties on product sales."

For further information regarding the progress of Amrad's operations, see its public announcements which can be found on www.asx.com.au (ASX code: AML) and www.amrad.com.au and its 30 June 2005 annual report once released.

Avexa Limited

Circadian Holding 30 June 2005 - Market Value: *$2.8 million;* ***Book Value:*** *$2.8 million;* ***Cost:*** *$7.2 million*
Shareholders: *Circadian: 13.9%; Amrad: 15.3%; Others: 70.8%*

- Circadian received 14,132,292 shares in Avexa representing 17.6% of the issued capital of that company as a result of Amrad demerging and listing its anti-infectives business. Circadian further subscribed to 5,000,000 ordinary shares at 20 cents per share in a $12 million capital raising by Avexa. See key highlights for Amrad Corporation Limited above regarding the demerger and spin-out of its anti-infectives business, Avexa Limited in September 2004.

- On 11 January 2005 Avexa announced "that results from an independent US-based research organisation have confirmed the company's positive findings of activity against vancomycin-resistant enterococci (VRE). The results also indicated that Avexa's lead antibacterial compounds showed significant activity against other antibiotic-resistant bacteria."

  " 'These results indicate that our antibacterial program has the potential to generate novel compounds with therapeutic use against a number of bacterial infections including methicillin-resistant *Staphylococcus aureus* (MRSA) bacteria,' said Dr Julian Chick, Avexa's Chief Executive Officer."

- On 18 January 2005, Avexa announced "that it has in-licensed the Phase II HIV drug – SPD754 – from global specialty pharmaceutical company Shire Pharmaceuticals Group plc."

  "SPD754, a nucleoside reverse transcriptase inhibitor (NRTi), has already successfully completed a Phase IIa trial in 63 HIV-infected patients. Avexa is on schedule to initiate the Phase IIb trial, with results expected in the first quarter 2006."

  " 'Avexa has in-licensed this later stage product because of its potential to generate significant revenues and to reduce the overall risk involved in drug development for our shareholders,' said Avexa Chief Executive Officer, Dr Julian Chick."

- "Earlier this year, Avexa successfully raised a total of $11.5 million...The money will be used to fund the current Phase IIb trial that Avexa is undertaking [with respect to HIV drug SPD754/AVX754] as well as prepare for a smooth transition to Phase III studies upon successful completion of the Phase IIb study." (Avexa's *Quarterly News Report to Shareholders dated 1 June 2005*).

- On 25 July 2005 Avexa announced, "that the international Phase IIb trial of its lead HIV compound – AVX754 – is now underway. The trial is aimed at patients who are failing their current HIV therapy."

  "The Phase IIb trial is investigating the effect of AVX754 on the level of virus in HIV patients that have been treated with existing HIV therapies but are failing these therapies. The enrolment target for this study is 60 patients. This clinical trial design has been successfully reviewed by both the US Food and Drug Administration (FDA) and Australian Ethics Committees."

  "Patients will be dosed initially for 21 days, followed by a further period of dosing to 24 weeks. This trial design will provide the company with both early proof-of-concept data and also longer term safety data to support the planned Phase III studies."

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 2005 annual report once released.

NEUROSCIENCE RESEARCH PORTFOLIO

Alzheimer's Disease Project

Project Owner: *Circadian: 100%*

Project Background

In November 2002, Circadian concluded agreements to provide funding for a research project to develop a potential new treatment for Alzheimer's disease.

The project, to develop an inhibitor to the p75 nerve growth factor receptor, is based on original work carried out at the Walter & Eliza Hall Institute (WEHI). The technology is licensed exclusively to Circadian in consideration for future royalty and milestone income, with patents having been granted in Australia, the US and Singapore and pending in Europe, Canada and Japan.

A characteristic feature of Alzheimer's disease is the decline and death of particular nerve cells called cholinergic neurons, leading to lowered levels of the vital chemical they produce, called acetylcholine. The currently approved drugs for treating Alzheimer's attempt to boost the level of acetylcholine to compensate for this loss.

Research at WEHI has shown that in animal models, inhibition of the p75 receptor decreases the age-related death of these nerve cells, and also increases their size and output of acetylcholine. It has also been shown to improve memory in these models. The role of the p75 receptor in the death of these nerve cells has been confirmed by other international researchers in animal models.

Current approved drugs become less effective with age as the nerve cells die. Circadian's early stage research project seeks to produce a more effective inhibitor of the disease.

Circadian has committed $441,000 funding over three years. In April 2003, Circadian also agreed to provide additional funding for the research work, if required, to meet the requirements of the Biotechnology Innovation Grant Deed (a BIF Grant of $246,000 was awarded in April 2003). The University of Melbourne has been contracted to conduct this work on the development of this inhibitor and its delivery to the central nervous system. Circadian is managing the project.

Update

- A number of compounds have been synthesized and tested in the assay system for measuring uptake of compounds into the brain. Work continues to establish the feasibility of the uptake of antisense oligonucleotides into the brain.

- For the period to 30 June 2005, the company incurred $283,180 (2004: $174,231) for research funding with respect to this project. The company's remaining funding commitment at year end is $36,750 (2004: $183,750).

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 which can be the adverse results of taking morphine and codeine, the most commonly prescribed analgesics for strong pain.

A survey conducted by Louis Harris (USA) for Ortho-McNeil Pharmaceuticals found that 48.1 million adult Americans or one in four suffer from chronic pain, defined as pain that persists for at least six months. Of these, 45% or 21.6 million people take prescription pain medication regularly to manage their pain condition. Accordingly, the demand for effective prescription pain relief drugs with low side effect profiles is substantial.

An international patent application was lodged in early 1999, and entered into national phase in the USA during the 2000/2001 financial year. A provisional patent was also filed in August 2001 relating to test results of one of the further compounds developed in 2000/2001. A patent has been granted in Australia.

Update

- Animal tests were carried out on selected compounds at an independent research laboratory with the results indicating analgesic effect without the involvement of the central nervous system. A potential partner is being sought for the project. A U.S. patent covering some of the compounds was granted in August 2004.

- During the financial year the company provided $23,643 (2004: $55,364) for research funding and independent laboratory testing which has been fully expensed. The company does not have a funding commitment as at year end (2004: $3,000).

Memory Enhancement Project

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

Project Background

A patent application was filed in June 1997 and was granted in the US in October 2003. The patent covers a method of treating memory disorders using compounds which block the GABA-C receptor, which the scientists at the University of Sydney found may be important in memory processes.

While the project did not identify new compounds with the properties required for a potential pharmaceutical, it is believed that the patented technology may be valuable in the future and the company intends to fund the patents to completion.

In March 2002, Circadian entered into a collaboration agreement with the University of Sydney to fund further work on the memory enhancement project based around designing antagonists to specific receptors (known as GABA-C receptors) in the brain, where a family of compounds with potential for enhancing memory function has already been identified. This work was based on previous research funded by Circadian and a joint provisional

patent covering this work was lodged on 30 November 2001. The project has focused on synthesising several of the related compounds for further laboratory testing.

Update

- A European patent was granted in November 2004 for the "method for enhancing cognitive activity using antagonists to the GABA-C receptor in the brain". The equivalent US patent was previously granted in October 2003.
- The company did not provide any further research funding during the financial year, however continued to pay for patenting costs.

Neurodegenerative Diseases Project

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

Project Background

In October 2003, Circadian concluded an agreement with the Howard Florey Institute to provide funding for a research project to develop novel compounds for the treatment of neurodegenerative disorders such as stroke, Parkinson's disease and Alzheimer's disease. This new project is based at the National Neuroscience Facility in Melbourne.

The project is owned 50% by Circadian and 50% by the Howard Florey Institute with Circadian providing funding of $400,000 over a five year period.

Update

- Research is being conducted on an antibiotic that has a neuro-protective function which may have potential application in stroke. The research team is making derivatives of the compound and the required small quantity of the antibiotic has been sourced for the project. A biological test system has been established to assess the effect of candidate compounds on microglia, together with the development of in vivo models.
- For the period to 30 June 2005, the company provided $80,000 (2004: $60,000) for research funding with respect to this project which has been fully expensed. The company's remaining funding commitment at year end is $240,000 (2004: $340,000).

Paracetamol Project

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

Project Background

In November 2003, Circadian entered into a one-year collaboration agreement with the Howard Florey Institute relating to the potential for modifying the paracetamol molecule.

The project will seek to modify the paracetamol molecule to potentially reduce any possible side-effects while maintaining its painkilling properties.

The total cost for this project is $40,000.

Update

- Candidate compounds have been synthesized and are undergoing testing.

- For the period to 30 June 2005, the company incurred $13,370 for research funding with respect to this project (2004: $26,630). The company has no remaining funding commitments at year end with respect to this project.

CANCER RESEARCH PORTFOLIO

Centre Therapeutics Limited (wholly owned subsidiary of Circadian)
– Cancers of Unknown Primaries Project

Background
Centre Therapeutics Limited ("Centre Therapeutics") was incorporated on 13 October 2003 for the purpose of conducting cancer research.

In November 2003, Centre Therapeutics concluded collaboration agreements with the Peter MacCallum Cancer Centre ("Peter MacCallum") whereby Centre Therapeutics will provide the funding and commercialisation/ management expertise for a research project aimed at diagnosing cancers of unknown tissue origin (Cancers of Unknown Primaries Project). The test involves DNA microarray-based gene expression profiling to provide a more accurate diagnosis of the disease with the potential to also assist in determining the optimal treatment of the tumour. This project is based at the Peter MacCallum Cancer Centre in Melbourne.

Centre Therapeutics will provide a total of $500,000 in funding over two years to obtain a worldwide exclusive licence for the project, should Centre Therapeutics exercise its rights under the agreements. Centre Therapeutics will actively collaborate with the Peter MacCallum on the project.

Update
- A protocol is being developed to access samples from a third party clinical trial (planned to be conducted in the UK and the US) to validate the project's microarray system. Also, a new PCR-based assay platform is being developed to enable use of routine diagnostic samples in the test.

- For the period to 30 June 2005, the company provided $287,500 (2004: $150,000) for research funding with respect to this project, which has been fully expensed. The company's remaining funding commitment at year end is $62,500 (2004: $350,000).

CancerProbe Pty Ltd - Cancer Diagnostics/Therapeutics
Shareholders: *Circadian: 60%; Inventors and Others: 40%*

Background
On 8 December 2000, Fibre Optics (Aust) Pty Ltd, a wholly owned subsidiary of Circadian, together with the inventing scientists incorporated CancerProbe Pty Ltd ("CancerProbe") with Fibre Optics providing $400,000 for research funding.

CancerProbe has the rights (patent application) to a potential novel method for rapid identification and detection of cancer-specific antigens. The methodology may have applications as a diagnostic product for a broad range of cancers, including breast, ovarian, colorectal and prostate cancers. A PCT patent application covering the technology has been lodged and is now in National Phase.

The market for cancer tests is substantial and current tests in most cases are unsatisfactory.

Update

- Samples of markers expressed in breast cancer cells but not in normal cells have been isolated and identified. The next step in the research is the development of monoclonal antibodies to them for inclusion in a diagnostic assay system.

- On 1 June 2005, Fibre Optics acquired an additional 30% interest in the issued capital of CancerProbe for $300,000 to fund further research work, which has increased Fibre Optics' interest to 60%. If CancerProbe does not receive a government grant of $200,000 within 15 months, Fibre Optics shareholding in CancerProbe will be reduced to 45% by the cancellation of shares.

OTHER RESEARCH

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

On 18 October 1995, Circadian's wholly owned controlled entity, Polychip Pharmaceuticals Pty Limited ("Polychip"), acquired a 50.2% interest in Syngene Limited ("Syngene") for a purchase consideration of $45,000 and increased it to 53% in May 1996 for an additional $50,000. In February 2001, Polychip exercised 500,000 options to purchase shares in Syngene for $50,000. Polychip's interest was diluted to 42.4% as a result of an issue of shares to Casthree Pty Ltd (a subsidiary of Consolidated Press Holdings Limited) on 14 February 2001 for a consideration of $1.5 million.

Syngene has an exclusive worldwide license from the Howard Florey Institute of Experimental Physiology and Medicine ("HFI"), one of the leading medical research institutes in Australia, for technology in the areas of DNA Therapeutics and Diagnostics. The genetic therapeutic approach may offer future treatments in which gene activity can be modified. The market for DNA Therapeutics and Diagnostics is expected to show future growth especially in light of the completion of the first draft map of the human genome.

As a result of Syngene's project with the HFI, Syngene has exclusive worldwide 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 and caters to diagnostic markets.

A patent was granted in the U.S. in 1997 in respect of the main area of Syngene's technology, providing Syngene 17 years of patent protection in the U.S. at a time when the potential worldwide market for this market segment is increasing. Patents have already been granted in Europe, Canada, Japan and Australia.

In September 2000, the US patent office issued a notice of allowance in respect of broader claims relating to the *in situ* hybridisation patents, and the broad patent was granted on 24 July 2001. This patent, which results from a divisional patent filed in July 1997, provides broader patent coverage in the area of *in situ* hybridisation in the US. Syngene is thus in a much stronger position to negotiate non-exclusive license agreements with potential diagnostic/pharmaceutical companies.

Syngene has granted a non-exclusive worldwide license to Roche Diagnostics (formerly Boehringer Mannheim GmbH) and Novocastra Laboratories Ltd in the UK in respect of its patented technology. It has also granted non-exclusive licenses to an additional three companies in Europe and New Zealand.

Update

- Negotiations are in progress with other potential licensees with regard to the granting of further non-exclusive licenses to this technology.

- Syngene has a 15.3% holding in Antisense Therapeutics Limited which had a market value of $2.3 million compared with a book value of $234,473 at 30 June 2005.

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 company's projects and interests and the development and therapeutic potential of the company's research and development. Any statement describing a goal, expectation, intention or belief of the company 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 company'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 company's research and development program referred to in this annual report for the period ended 30 June 2005.

Circadian Technologies Limited and Controlled Entities
ABN 32 006 340 567

30 June 2005 Financial Report

ERNST & YOUNG

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Australia

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Independent audit report to members of Circadian Technologies Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Circadian Technologies Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, 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 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Denis Thorn
Partner
Melbourne
2 August 2005

Statement of Financial Position
at 30 June 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Parent 2005 $	Parent 2004 $
Current Assets					
Cash assets	28	24,679,406	17,431,103	24,408,158	17,118,857
Receivables	5	236,960	89,064	174,125	85,367
Other financial assets	6	18,720	39,520	-	-
Other	7	196,847	257,816	57,711	126,935
Total Current Assets		25,131,933	17,817,503	24,639,994	17,331,159
Non-Current Assets					
Receivables	8	-	-	16,280,344	21,404,467
Investments accounted for using the equity method	9	846,566	933,806	544,987	544,987
Other financial assets	10	16,959,060	23,340,698	925,972	925,972
Plant and equipment	11	38,154	50,276	38,154	50,276
Intangible assets	12	194,868	-	-	-
Total Non-Current Assets		18,038,648	24,324,780	17,789,457	22,925,702
Total Assets		43,170,581	42,142,283	42,429,451	40,256,861
Current Liabilities					
Payables	13	277,601	128,386	239,117	113,755
Interest bearing liabilities	14	5,000,000	-	5,000,000	-
Provisions	15	322,294	303,683	322,294	303,683
Total Current Liabilities		5,599,895	432,069	5,561,411	417,438
Non-Current Liabilities					
Payables	16	-	-	4,770,015	3,127,499
Provisions	17	25,156	14,671	25,156	14,671
Total Non-Current Liabilities		25,156	14,671	4,795,171	3,142,170
Total Liabilities		5,625,051	446,740	10,356,582	3,559,608
Net Assets		37,545,530	41,695,543	32,072,869	36,697,253
Equity					
Parent entity interest:					
Contributed equity	18	33,167,977	48,396,484	33,167,977	48,396,484
Reserves	19	1,391,316	1,391,316	734,426	734,426
Retained profits/(accumulated losses)	20	2,843,824	(8,092,257)	(1,829,534)	(12,433,657)
Total parent entity interest in equity		37,403,117	41,695,543	32,072,869	36,697,253
Total outside equity interest	21	142,413	-	-	-
Total Equity		37,545,530	41,695,543	32,072,869	36,697,253

Statement of Financial Performance for the Year Ended 30 June 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Parent 2005 $	Parent 2004 $
Revenues from ordinary activities	2	47,393,942	7,268,778	29,521,904	904,029
Write-back of provision for diminution of investments	2	-	1,260,776	-	-
Reversal of write-down of receivables from controlled entities		-	-	-	5,533,108
Research and development expenses		(700,004)	(500,292)	-	-
Investing expenses	2	(5,474,583)	(29,813)	-	-
Cost of investments sold	2	(15,838,185)	-	-	-
Patent expenses		(152,755)	(149,867)	(9,213)	-
Administrative expenses		(2,049,372)	(1,804,837)	(2,019,829)	(1,781,137)
Borrowing costs		(235,343)	-	(235,343)	-
Occupancy expenses		(112,723)	(114,045)	(112,723)	(114,045)
Share of net profit/(loss) of associates accounted for using the equity method	9	60,816	(128,089)	-	-
Write-down of receivables from controlled entities		-	-	(5,707,060)	(37,013)
Foreign exchange losses	2	(1,092,653)	-	-	-
Amortisation of goodwill	12	(31,297)	-	-	-
Profit from ordinary activities before income tax expense		**21,767,843**	**5,802,611**	**21,437,736**	**4,504,942**
Income tax expense relating to ordinary activities	3	(3,664)	-	-	-
Profit from ordinary activities after related income tax benefit		**21,764,179**	**5,802,611**	**21,437,736**	**4,504,942**
Net profit		**21,764,179**	**5,802,611**	**21,437,736**	**4,504,942**
Net loss attributable to outside equity interest	21	**5,515**	**-**	**-**	**-**
Net profit attributable to members of the parent entity	20	**21,769,694**	**5,802,611**	**21,437,736**	**4,504,942**
Movement in option reserve	19	-	5	-	5
Share issue and buy-back costs		-	(3,513)	-	(3,513)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		-	(3,508)	-	(3,508)
Total changes in equity other than those resulting from transactions with owners as owners		21,769,694	5,799,103	21,437,736	4,501,434
Basic earnings per share (cents per share)	29	54.26	14.44		
Diluted earnings per share (cents per share)	29	54.26	14.44		

Statement of Cash Flows
for the Year Ended 30 June 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Parent 2005 $	Parent 2004 $
Cash Flows from Operating Activities:					
Biotechnology Innovation Fund (BIF) grant income		104,081	146,449	-	-
Dividend income		-	-	28,000,000	-
Other receipts		19,250	19,250	19,250	19,250
Payments to suppliers, employees and for research and development		(2,922,918)	(2,763,751)	(2,022,659)	(1,943,346)
Borrowing costs		(251,790)	-	(251,790)	-
Interest received		1,418,672	837,189	1,421,929	842,216
Income tax benefits received/(taxes paid)		(3,664)	51,917	-	-
Net cash flows from/(used in) operating activities	28(b)	(1,636,369)	(1,708,946)	27,166,730	(1,081,880)
Cash Flows from Investing Activities:					
Purchase of plant and equipment		(9,037)	(5,864)	(9,037)	(5,864)
Proceeds from sale of plant and equipment		-	899	-	899
Receipts on behalf of controlled entities		-	-	30,883,660	6,420,477
Payments on behalf of controlled entities		-	-	(1,824,079)	(1,906,025)
Repayment of loan from controlled entity		-	-	(28,000,000)	-
Purchase of investments		(1,005,000)	(1,281,661)	-	-
Purchase of controlled entity	28(c)	43,606	-	-	-
Proceeds from sale of investments		30,783,076	6,235,425	-	-
Loan to controlled entity		-	-	-	(500,000)
Net cash flows from/(used in) investing activities		29,812,645	4,948,799	1,050,544	4,009,487
Cash Flows from Financing Activities:					
Proceeds from issues of shares and options		20,000	5	20,000	5
Proceeds from borrowings		5,000,000	-	5,000,000	-
Payments of unfranked dividend		(10,782,379)	-	(10,782,379)	-
Return of capital to shareholders		(15,164,394)	-	(15,164,394)	-
Payments for share buy-back		-	(485,734)	-	(485,734)
Transaction costs paid: share & option issues; share buy-back		(1,200)	(3,513)	(1,200)	(3,513)
Net cash flows from/(used in) financing activities		(20,927,973)	(489,242)	(20,927,973)	(489,242)
Net increase in cash held		7,248,303	2,750,611	7,289,301	2,438,365
Add opening cash brought forward		17,431,103	14,680,492	17,118,857	14,680,492
Closing cash carried forward	28(a)	24,679,406	17,431,103	24,408,158	17,118,857

Notes to the Financial Statements
as at 30 June 2005

Note 1. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The accounting policies used, which are described below, are consistent with those of the previous year.

The financial report has been prepared in accordance with the historical cost convention, except for certain investments, which are held at fair value, in accordance with the accounting policies described below.

(b) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Circadian Technologies Limited (the parent entity) and all entities controlled from time to time during the year and at reporting date.

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

(c) Investments

Long term investments held for dividend purposes are classified as non-current assets and are carried at the lower of cost or market valuation, as described in Note 9. Interests in non-subsidiary, non-associated corporations are included in investments at the lower of cost or recoverable amount. Dividend income is brought to account when declared or, if required, approved by the shareholders. Investments intended to be sold within twelve months of balance date are classified as current.

Short term investments in listed companies are held at the lower of cost and market value and as such any unrealised gains are not recognised in the statement of financial performance. Unrealised losses are recognised as an expense in determining the net profit/loss for the period.

(d) Associated Entities

Interests in associated entities are included in non-current investments and brought to account using the equity method. Under this method the investment in associates is initially recognised at its cost of acquisition and its carrying value is subsequently adjusted for increases or decreases in the investor's share of post-acquisition results and reserves of the associate. The investment in associated entities is decreased by the amount of dividends received or receivable. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial accounts.

Detailed equity accounting information concerning the consolidated entity's interests in material associated entities is provided in Note 9.

(e) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

Note 1. Summary of Significant Accounting Policies (continued)

(f) Income Tax

The financial statements apply the principles of tax-effect accounting. The income tax expense in the Statement of Financial Performance represents the tax on the pre-tax accounting profit/(loss) adjusted for income and expenses never to be assessed or allowed for taxation purposes. The provision for deferred income tax liability and the future income tax benefit (as disclosed, but not recognised in the Statement of Financial Position) include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse. The future income tax benefit relating to tax losses and timing differences have not been recognised as an asset as there is no virtual certainty of realisation for tax losses and it is not probable beyond reasonable doubt for timing differences, except for tax rebates received under the Research & Development Tax Concession of the Income Tax Assessment Act 1936.

(g) Goods and Services Tax

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

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

The net amount of GST receivable from, or payable to, the taxation authority is included as part of the receivables or payables in the Statement of Financial Position. Cash flows arising from operating activities are included in the Statement of Cash Flows on a gross basis (i.e. including GST) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Receivables

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(i) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(j) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

(k) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities or persons as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Note 1. Summary of Significant Accounting Policies (continued)

(l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

(m) Research and Development

Research and development costs and patent costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt. Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

(n) Plant and Equipment

Plant and equipment are measured at cost and are depreciated over their useful economic lives as follows:

	Life	Method
Equipment and furniture	3-10 years	Straight line
Leasehold improvements	8 years	Straight line

(o) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are recognised against profits/losses on a net basis in their respective categories.

Certain employees are entitled to participate in option ownership schemes. The value of the equity-based compensation scheme described in note 18 is not being recognised as an employee benefits expense.

(p) Joint Venture Operations

An interest in a joint venture is brought to account by including in the respective financial statement categories:

- the consolidated entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture including the consolidated entity's share of any liabilities for which the economic entity is jointly and/or severally liable; and
- the consolidated entity's share of expenses of the joint venture.

Note 1. Summary of Significant Accounting Policies (continued)

(q) Financial Instruments included in Equity
Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

(r) Financial Instruments included in Assets
Receivables (non-current) include loans to subsidiaries.

Investments include equity interests in non-subsidiary, non-associated corporations and are recorded at the lower of cost or market valuation. Dividend income is brought to account when declared.

(s) Earnings per share
Basic EPS is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/loss attributable to members, adjusted for:

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

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

(t) Operating Leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

(u) Contributed Equity
Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Note 2. Revenue and Expenses from Ordinary Activities				
Revenues from ordinary activities:				
- Interest from:				
Related party - associated company	27,249	27,249	27,249	27,249
Related party - wholly owned subsidiary	-	-	12,500	14,596
Other unrelated persons	1,473,513	855,469	1,464,655	844,684
- Dividend income (unfranked) – wholly owned subsidiary	-	-	28,000,000	-
- Revenue recognised on sale of investments (a)	45,781,061	6,235,425	-	-
- BIF grant income	94,619	133,135	-	-
- Other revenue items	17,500	17,500	17,500	17,500
Total revenues from ordinary activities	47,393,942	7,268,778	29,521,904	904,029
(a) Revenue recognised on sale of investments	45,781,061	6,235,425	-	-
Cost recognised on investments sold	(15,838,185)	-	-	-
Net gain on sale of investments	29,942,876	6,235,425	-	-

30 June 2005:

On 1 July 2004, Molecular Devices Corporation "announced that it has completed its acquisition of Axon Instruments, Inc. The stockholders of both companies have approved the transaction, and all regulatory requirements and other conditions have been satisfied. Pursuant to the merger agreement announced on March 21, 2004, former Axon stockholders are receiving 0.00734 of a share of Molecular Devices common stock and (US) $0.1359 cash for each share of Axon common stock. Molecular Devices is issuing approximately 3.6 million shares of its common stock and paying approximately (US) $68 million cash in exchange for all the outstanding shares of Axon..."

Revenue recognised on sale of investments of $45,781,061 comprises:

a) Consideration from the disposal of Axon Instruments Inc in the form of:	
i) Cash	$13,709,070
ii) Issue of shares in Molecular Devices Corporation	$13,905,331
	$27,614,401
b) Cash received on the disposal of the Molecular shares acquired as per a) ii) above.	$17,074,007
c) Foreign exchange loss	$ 1,092,653
Total	$45,781,061

This revenue has been recognised in the Statement of Financial Performance in accordance with Australian Accounting Standards. Accordingly, the total cash proceeds from the disposal of Axon shares and the Molecular Devices shares amounted to $30,783,076 being the sum of items a)i) and b) above.

Circadian realised a gain of $26,452,624 on the disposal of its interest in Axon (which had a cost of investment of $1,932,854) and a gain of $3,490,252 on the disposal of its holding in Molecular Devices which it acquired from the Axon merger. No capital gains tax liability has arisen on the disposal of Circadian's holdings in Axon or Molecular Devices shares – refer to Note 3 for details.

A total foreign exchange loss of $1,092,653 was realised on the settlement of the Axon and Molecular Devices sale transactions due to the strengthening of the Australian dollar against the US dollar.

30 June 2004:

The prior year sale relates to 6,000,000 ordinary shares in Metabolic Pharmaceuticals Limited, sold on 23 October 2003.

Note 2. Revenue and Expenses from Ordinary Activities (continued)

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Write-back of provision for diminution of investments:				
- Provision for diminution of investment in Amrad Corporation Ltd to reflect year end market value (b), (Note 10)	-	1,130,583	-	-
- Provision for diminution of investment in options to reflect year end market value (Note 10)	-	130,193	-	-
	-	1,260,776	-	-

(b) The profit for the year ended 30 June 2004 includes a gain of $1,130,583 in the book value of the consolidated entity's shareholding in Amrad Corporation Limited ("Amrad") reflecting the increase in Amrad's share price from 60 cents at 30 June 2003 to 64 cents at 30 June 2004. Accordingly, the unrealised provision for diminution in the book value of this holding had decreased from $6,031,217 to $4,900,634. During the year ended 30 June 2005, there was an unrealised loss recognised with respect to the company's investment in Amrad. Refer to "Expenses and Losses" below.

Expenses and Losses:				
Investing expenses:				
- Provision for diminution of investments in Amrad Corporation Ltd and Avexa Limited to reflect year end market value (c) (Note 10)	4,585,349	-	-	-
- Provision for diminution of investment in options to reflect year end market value (Note 10)	868,434	-	-	-
- Write-down of other investments to reflect year end market value	20,800	29,813	-	-
	5,474,583	29,813	-	-
Depreciation of:				
- Equipment and furniture	11,966	17,380	11,966	17,380
- Leasehold improvements	9,194	9,212	9,194	9,212
	21,160	26,592	21,160	26,592
Operating lease rentals	76,078	75,576	76,078	75,576

(c) The current year's result includes an unrealised loss of $4,585,349 in the combined book values of Circadian's shareholdings in Amrad Corporation Limited ("Amrad") and Avexa Limited ("Avexa"). In September 2004, Amrad demerged its anti-infectives drug portfolio into a new corporate entity, Avexa Limited, which was listed on the Australian Stock Exchange, whereupon Amrad shareholders became entitled to 1 ordinary share in Avexa for every 2 ordinary shares held in Amrad (at a record date) and Amrad itself retained a 19.99% interest in the demerged entity. Further, during the year Circadian acquired an additional 5 million ordinary shares in Avexa for a consideration of $1 million through a capital raising by Avexa in March 2005. This unrealised loss reflects the decrease in both Amrad's and Avexa's respective share prices during the current year. The unrealised provision for diminution in the combined book value of these holdings has increased from $4,900,634 to $9,485,983.

	Consolidated		Parent	
	2005	2004	2005	2004
	$	$	$	$

Note 3. Income Tax

The prima facie tax on profit/(loss) from ordinary activities differs from the income tax expense/(benefit) provided in the financial statements as follows:

Profit/(loss) from ordinary activities	21,767,843	5,802,611	21,437,736	4,504,942
Net profits & losses from wholly owned subsidiaries due to tax consolidation	-	-	28,258,815	1,297,669
	21,767,843	5,802,611	49,696,551	5,802,611
Prima facie tax calculated at 30%	6,530,353	1,740,783	14,908,965	1,740,783
Tax effect of permanent differences:				
Research and development	(39,485)	(34,122)	(38,730)	(34,122)
Write-down of investments	1,642,375	8,944	1,642,375	8,944
Reversal of write-down of investments	-	(378,233)	-	(378,233)
Non-assessable gains on disposal of investments (a)	(8,982,863)	-	(8,982,863)	-
Non-assessable dividend income	-	-	(8,400,000)	-
Share of (profits)/losses in associated entities	(18,244)	38,427	16,669	38,427
Other non-deductible expenses	24,923	4,232	15,534	4,232
Under/(over) provisions of previous year	(63,201)	3,405	(63,201)	3,405
Income tax adjusted for permanent differences	(906,142)	1,383,436	(901,251)	1,383,436
Benefit of tax losses not brought to account	909,806	-	901,251	-
Utilisation of tax losses not brought to account in previous periods	-	(1,383,436)	-	(1,383,436)
Income tax attributable to ordinary activities	3,664	-	-	-
The estimated potential future income tax benefit at year end in respect of tax losses not brought to account is:	1,216,871	282,567	1,193,065	282,567

(a) Circadian realised a gain of $26,452,624 on the disposal of its interest in Axon (net consideration of $28,385,478 less cost of investment of $1,932,854) and a gain of of $3,490,252 on the disposal of its holding in Molecular Devices which it acquired from the Axon merger (total gain of $29,942,876 – at 30%: $8,982,863).

Circadian's original intention was to retain its holding in Molecular Devices shares that it acquired through the Axon merger as a long-term investment in order to participate in the success of the merged entity. However, due to the increased currency risk of the US dollar during the year, the Board unanimously decided to sell its entire holding, thus limiting its foreign exchange exposure. The consolidated entity realised a gain of $3,490,252 (net consideration of $17,395,583) on the disposal of this holding.

A total foreign exchange loss of $1,092,653 was realised on the settlement of the Axon and Molecular Devices sale transactions due to the strengthening of the Australian dollar against the US dollar.

No capital gains tax liability has arisen on the disposal of Circadian's holding in Axon or Molecular Devices shares.

The major portion of the investment in Axon (91%) lost its pre-capital gains tax (CGT) status on 1 July 1999 in accordance with legislation introduced at that time. However the holding was deemed to have a cost base for capital gains tax equivalent to its market value on 1 July 1999, which was higher than the consideration received on the disposal of this portion of the company's holding in Axon.

Note 3. Income Tax (continued)

Further, the capital gains tax (CGT) law was amended in April 2004. This amendment had the effect of providing a reduction in the capital gain or loss made by a company on the disposal of shares in a foreign resident company, where the shareholding company:

- has at least 10% interest in that company;
- has held the shares for a minimum 12 month period; and
- where the foreign company carries on an underlying "active foreign business".

The post-capital gains tax status of the Axon shares (i.e. the 91% which originally had a pre-CGT status), together with the April 2004 capital gains tax (CGT) amendment, has resulted in a carry forward capital tax loss of $8,661,631 (at 30%: $2,598,489) which is after utilising $29,942,876 (at 30%: $8,982,863) for the gains realised on the disposal of investments in Axon and Molecular Devices, referred to above.

Due to the complicated nature of the legislation with regard to these capital tax losses, the exact carry forward capital losses will be known when the consolidated entity reports future realised capital gains.

Benefit of income tax losses not brought to account

The estimated potential future income tax benefit at year end in respect of timing differences (calculated at 30% tax rate) for the consolidated entity amounted to $77,046 (2004: $85,177) and for the parent entity $75,906 (2004: $85,177).

The benefits of the tax losses and timing differences will only be realised if:

(i) entities within the economic entity derive future assessable income of a nature and amount sufficient to enable the benefit of the taxation deductions to be realised;

(ii) entities within the economic entity continue to comply with the conditions for deductibility imposed by law; and

(iii) there are no changes in taxation legislation adversely affecting entities in realising the benefit.

The franking account balance at the end of the financial year at 30% (2004: 30%) is $11,438 (2004: $11,438), which represents the amount of franking credits available for the subsequent financial year.

Effective 1 July 2003, for the purposes of income taxation, Circadian Technologies Limited and its 100% owned subsidiaries formed a tax consolidated group.

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Note 4. Dividends Paid				
Unfranked dividend (12 cents per share) – paid 29/10/04	4,814,939	-	4,814,939	-
Unfranked dividend (15 cents per share) – paid 24/2/05	6,018,674	-	6,018,674	-
Total dividends paid (Note 20)	10,833,613	-	10,833,613	-
Note 5. Receivables (Current)				
Interest receivable	150,510	68,420	149,706	67,231
Tax rebate receivable	43,409	-	-	-
Other receivables (i)	43,041	20,644	24,419	18,136
Total current receivables	236,960	89,064	174,125	85,367

(i) Other receivables are non-interest bearing and have repayment terms between 30 and 60 days.

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Note 6. Other Financial Assets (Current)				
Shares – at lower of cost and market value in listed entity	18,720	39,520	-	-

Listed shares are readily saleable with no fixed terms. There would be no capital gains tax payable if these assets were sold at the reporting date.

Note 7. Other Current Assets				
Prepayments	196,847	257,816	57,711	126,935
Note 8. Receivables (Non-Current)				
Loans to controlled entities (Note 26(a))	-	-	16,280,344	21,404,467

Note 9. Investments Accounted for Using the Equity Method

(a) Details of material interests in associated entities are as follows:

	Ownership Interest %		Carrying Amount $	
Name and Principal Activities	**2005**	**2004**	**2005**	**2004**
Syngene Limited – Gene Diagnostics	42.38	42.38	301,579	344,031
CancerProbe Pty Ltd – Cancer Diagnostics/Therapeutics	(i)	30.00	(i)	44,788
			301,579	388,819
Non-current receivable from Syngene Limited (Note 26(a))			544,987	544,987
			846,566	933,806

(i) On 1 June 2005 Fibre Optics (Aust) Pty Ltd ('Fibre Optics'), a wholly owned subsidiary of Circadian, gained effective control of CancerProbe Pty Ltd ('CancerProbe') when it increased its interest from 30% to 60% for a consideration of $300,000. Fibre Optics purchased its original 30% investment for $400,000 on 8 December 2000 and has been equity accounting the results of CancerProbe since that date up until the date it gained effective control. From 1 June 2005, Fibre Optics has consolidated the results of CancerProbe.

The amounts impacting the Statement of Financial Performance as described above have been included in the following profit and loss captions:

Share of net profit/(loss) of associates accounted for using the equity method:	
- *Share of CancerProbe's losses for period 1/7/04 to 31/5/05*	*($23,843)*
- *Net gain on obtaining control*	*$127,112*
	$103,269
Amortisation of goodwill	($31,297)

Note 9. Investments Accounted for Using the Equity Method (continued)

(b) Share of Associates' Results

	2005 $	2004 $
Loss from ordinary activities before tax (i)	(81,232)	(165,770)
Income tax benefit (i)	14,936	37,681
Net gain on obtaining control of CancerProbe (Refer (a)(i) above)	127,112	-
Share of profit/(loss) of associates	60,816	(128,089)

(i) Include losses and income tax benefit, respectively, for CancerProbe for the period 1 July 2004 to 31 May 2005. Refer to (a)(i) above.

(c) Aggregate Carrying Amount of Associates

	2005			
	Accumulated Losses $	Cost $	Reserves $	Total Carrying Amount $
Balance at the beginning of the year	(813,071)	545,000	656,890	388,819
Movements during the year:				
- Share of net result	60,816	-	-	60,816
- CancerProbe investment no longer equity accounted (Refer (a)(i) above)	251,944	(400,000)	-	(148,056)
Balance at the end of the year	(500,311)	145,000	656,890	301,579

	2004			
	Accumulated Losses $	Cost $	Reserves $	Total Carrying Amount $
Balance at the beginning of the year	(684,982)	545,000	656,890	516,908
Movements during the year:				
- Share of net result	(128,089)	-	-	(128,089)
Balance at the end of the year	(813,071)	545,000	656,890	388,819

(d) Financial Summary of Material Associates

	Syngene Ltd		CancerProbe Pty Ltd	
	2005 $	2004 $	2005 $	2004 $
Total assets	449,278	569,414	(i)	154,344
Total liabilities	581,098	601,062	(i)	5,048
Net loss	(100,171)	(243,475)	(i)	(83,012)

(i) Refer to (a)(i) above.

(e) Expenditure Commitments of Associates

An agreement exists between Syngene Limited and the Howard Florey Institute of Experimental Physiology and Medicine ("Institute") whereby the Institute grants an income earned to date 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%.

	Consolidated		Parent	
	2005	2004	2005	2004
	$	$	$	$
Note 10. Other Financial Assets (Non-Current)				
Shares at lower of cost and recoverable value				
- listed companies, at cost (a)	26,225,863	27,153,718	-	-
- provision for diminution of investments in Amrad Corporation Ltd & Avexa Ltd (a)	(9,485,983)	(4,900,634)	-	-
- unlisted controlled entities, at deemed cost (Note 25)	-	-	925,972	925,972
Options at lower of cost and recoverable value				
- listed company, at cost (a)	1,087,614	1,087,614	-	-
- provision for diminution of investment in options (a)	(868,434)	-	-	-
Total non-current other financial assets	16,959,060	23,340,698	925,972	925,972

(a)

Listed Investments	Direct Ownership Interest		Diluted Ownership Interest		Book Value		Market Value (i)	
	2005	2004	2005	2004	2005	2004	2005	2004
	%	%	%	%	$	$	$	$
Metabolic Pharmaceuticals Limited	19.4	21.0	19.2	20.5	5,000	5,000	29,042,726	45,604,280
Amrad Corporation Ltd (ii)	22.6	22.0	21.7	21.4	11,729,802	18,089,333	11,729,802	18,089,333
Avexa Limited (ii)	13.9	-	13.3	-	2,774,182	-	2,774,182	-
Axon Instruments Inc (iii)	-	15.2	-	13.8	-	1,932,854	-	27,929,316
Antisense Therapeutics Ltd (iv)	20.4	20.4	19.2	19.2	1,864,765	1,864,765	3,042,346	10,503,336
Antisense Therapeutics Ltd (Options)					219,180	1,087,614	219,180	1,175,603
Optiscan Imaging Ltd	6.4	7.9	6.1	7.5	366,131	361,132	2,011,323	2,293,200
Total					16,959,060	23,340,698	48,819,559	105,595,068

(i) The market value, as disclosed in Note (a) above, represents the share price at 30 June 2005, and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments.

(ii) As stated in Note 2(c), in September 2004, Amrad Corporation Limited ("Amrad") demerged its anti-infectives drug portfolio into a new corporate entity, Avexa Limited ("Avexa"), which was listed on the Australian Stock Exchange whereupon Amrad shareholders became entitled to 1 ordinary share in Avexa for every 2 ordinary shares held in Amrad (at a record date) and Amrad itself retained a 19.99% interest in the demerged entity.

Further, during the year Circadian acquired an additional 5 million ordinary shares in Avexa for a consideration of $1 million through a capital raising by Avexa in March 2005.

The movement between years in the combined book value of Circadian's investment in Amrad and Avexa reflect the decrease in both Amrad and Avexa's respective share prices resulting in an increase in the provision in this combined investment of $4,585,349. Also refer to Note 32 "Subsequent Events".

Note 10. Other Financial Assets (Non-Current) (continued)

(iii) During the year, Circadian disposed of its interest in Axon Instruments Inc which was acquired by the US company Molecular Devices Corporation in a merger transaction. Refer to Note 2 "Revenue and Expenses from Ordinary Activities" for further information regarding the gain on the disposal of this investment.

(iv) Circadian's total undiluted interest in Antisense Therapeutics Limited, including its indirect interest in Antisense Therapeutics Limited through its investment in Syngene Limited, amounted to 26.9% at year end (2004: 26.9%), representing a market value of $4,010,884 (2004: $13,847,098).

	Consolidated		Parent	
	2005	2004	2005	2004
	$	$	$	$
Note 11. Plant and Equipment				
Equipment and furniture at cost				
Opening balance	156,112	158,805	156,112	158,805
Additions	9,038	5,307	9,038	5,307
Disposals	(522)	(8,000)	(522)	(8,000)
Closing balance	164,628	156,112	164,628	156,112
Accumulated depreciation				
Opening balance	118,503	108,224	118,503	108,224
Depreciation for the year	11,966	17,380	11,966	17,380
Disposals	(522)	(7,101)	(522)	(7,101)
Closing balance	129,947	118,503	129,947	118,503
Net book value	34,681	37,609	34,681	37,609
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	61,030	51,818	61,030	51,818
Depreciation for the year	9,194	9,212	9,194	9,212
Closing balance	70,224	61,030	70,224	61,030
Net book value	3,473	12,667	3,473	12,667
Total plant and equipment, net	38,154	50,276	38,154	50,276

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Note 12. Intangible Assets				
Written down value of goodwill @ 1.6.05	226,165	-	-	-
Amortisation of goodwill (Note 9(a))	(31,297)	-	-	-
Written down value of goodwill @ 30.6.05	194,868	-	-	-
Note 13. Payables (Current)				
Creditors (unsecured) (i)	101,490	50,370	63,006	35,739
Payable to shareholders (ii)	134,147	-	134,147	-
PAYG tax liability	41,964	78,016	41,964	78,016
	277,601	128,386	239,117	113,755

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

(ii) A capital return and two unfranked dividend payments were paid to shareholders totalling 65 cents per share during the year (refer to Notes 4 and 18). The balance of $134,147 represents amounts payable with respect to these distributions to shareholders with unknown addresses.

Note 14. Interest Bearing Liabilities (Current)				
Bill Facility, secured (i), (ii)	5,000,000	-	5,000,000	-

(i) A bill facility was 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% per annum. The bill facility is to be repaid in October 2005 and is secured by a Letter of Set Off by Circadian over Cash Deposit Account for $5,000,000. The bill facility is rolled over approximately every 90 days at which time interest for that bill period is paid in advance.

(ii) The company obtained this borrowing to partly fund the 38 cents per share capital return paid to shareholders in October 2004 (refer Note 18). The borrowing reflects discussions with the Australian Taxation Office prior to the issuance of the Class Ruling confirming that the return of capital will not be a dividend for income tax purposes.

Note 15. Provisions (Current)				
Annual leave	103,042	95,394	103,042	95,394
Long service leave	219,252	208,289	219,252	208,289
	322,294	303,683	322,294	303,683
Note 16. Payables (Non-Current)				
Loans from controlled entities (Note 26(b))	-	-	4,770,015	3,127,499
Note 17. Provisions (Non-Current)				
Long service leave	25,156	14,671	25,156	14,671

	Consolidated		Parent	
	2005	2004	2005	2004
	$	$	$	$
Note 18. Contributed Equity				
Contributed equity at beginning of year	48,396,484	48,885,731	48,396,484	48,885,731
Shares issued during the year:				
- employee share scheme (i)	20,000	-	20,000	-
- transaction costs	(1,200)	-	(1,200)	-
Shares cancelled during the year:				
- shares bought back (iii)	-	(485,735)	-	(485,735)
- transaction costs	-	(3,512)	-	(3,512)
Return of capital to shareholders (ii)	(15,247,307)	-	(15,247,307)	-
Contributed equity at end of year	33,167,977	48,396,484	33,167,977	48,396,484
(a) Movement in Contributed Equity for the Year:	**No.**	**No.**	**No.**	**No.**
Balance of number of shares at beginning of year	40,114,498	40,333,537	40,114,498	40,333,537
Shares issued during the year (i)	10,000	-	10,000	-
Shares bought back during the year (iii)	-	(219,039)	-	(219,039)
Balance of number of issued shares at end of year (fully paid)	40,124,498	40,114,498	40,124,498	40,114,498

(i) On 26 August 2004, 10,000 shares were issued to an employee as a result of options exercised to purchase ordinary shares in the company at an exercise price of $2.00 per share.

(ii) In October 2004, after approval was received from shareholders at a general meeting, Circadian provided its shareholders with a 50 cents per share return comprising of the following:

- a capital return of 38 cents per share
- an unfranked special dividend of 12 cents per share

The total distribution amounted to $20.1 million.

Circadian obtained a Class Ruling from the Australian Taxation Office indicating that, under this distribution, the return of capital component of 38 cents will not be a dividend for income tax purposes.

(iii) In the prior financial year, the company concluded a share buy-back, which commenced on 24 April 2003. There were 219,039 fully paid ordinary shares bought back during the year ended 30 June 2004. The total cost of the buy-back for the 2004 financial period, including transaction costs, was $489,247, which was debited to the contributed equity account.

Note 18. Contributed Equity (continued)

(b) Options over Ordinary Shares

2005

Date of Issue	**25/9/03**	**19/9/01**	**14/8/01**	**30/7/01**	**21/9/00**	**16/11/99**	**16/11/99**	**16/11/99**
On issue at beginning of year ('000)	800	40	90	735	770	10	10	20
Issued during the year ('000)	-	-	-	-	-	-	-	-
Exercised during the year ('000)	-	-	-	-	-	(10)	-	-
Expired during the year ('000)	-	-	-	-	(770)	-	(10)	(20)
Outstanding at balance date ('000)	800	40	90	735	-	-	-	-
Exercised subsequent to balance date ('000)	-	-	-	-	-	-	-	-
Expired subsequent to balance date ('000)	-	-	-	(735)	-	-	-	-
Outstanding at date of Directors' report ('000)	800	40	90	-	-	-	-	-
Number of recipients	4	1	2	2	5	1	1	1
Exercise price	(ii)	(i)	(i)	(i)	$6.00	$2.00	$2.50	$2.80
Exercise period from	25/9/03	19/9/01	14/8/01	30/7/01	21/9/00	16/11/99	16/11/99	16/11/99
To	25/9/08	19/9/05	14/8/05	30/7/05	21/9/04	16/9/04	16/9/04	16/9/04
Expiration day	25/9/08	19/9/05	14/8/05	30/7/05	21/9/04	16/9/04	16/9/04	16/9/04
The following proportion of options vest from the dates shown:								
10%						16/11/99	16/11/99	16/11/99
30%						16/11/00	16/11/00	16/11/00
30%						16/11/01	16/11/01	16/11/01
30%						16/11/02	16/11/02	16/11/02
25%	25/9/03	19/9/01	14/8/01	30/7/01	21/9/00			
25%	25/9/04	19/9/02	14/8/02	30/7/02	21/9/01			
25%	25/9/05	19/9/03	14/8/03	30/7/03	21/9/02			
25%	25/9/06	19/9/04	14/8/04	30/7/04	21/9/03			

(i) Exercise price on options issued:

1/3 options exercisable at $4.75 per share
1/3 options exercisable at $5.00 per share
1/3 options exercisable at $5.50 per share

(ii) Exercise price on options issued:

1/3 options exercisable at $3.00 per share
1/3 options exercisable at $3.25 per share
1/3 options exercisable at $3.50 per share

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Note 19. Reserves				
Asset revaluation reserve (i), (ii)	734,407	734,407	734,407	734,407
Option reserve (iii)	19	19	19	19
Contributed capital of associate reserve (iv)	656,890	656,890	-	-
Total reserves	1,391,316	1,391,316	734,426	734,426

(i) Nature and purpose of 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

(ii) Movement in asset revaluation reserve:				
Opening & closing balance	734,407	734,407	734,407	734,407
(iii) Movement in option reserve:				
Balance at beginning of year	19	14	19	14
Consideration for options issued during the year	-	5	-	5
Balance at end of year	19	19	19	19
(iv) Movement in contributed capital of associate reserve:				
Opening and closing balance	656,890	656,890	-	-

Note 20. Retained Profits/Accumulated Losses				
Accumulated losses at the beginning of the financial year	(8,092,257)	(13,894,868)	(12,433,657)	(16,938,599)
Net profit	21,769,694	5,802,611	21,437,736	4,504,942
Unfranked dividends (i), (Note 4)	(10,833,613)	-	(10,833,613)	-
Retained profits/(accumulated losses) at the end of the financial year	2,843,824	(8,092,257)	(1,829,534)	(12,433,657)

(i) In October 2004, after approval was received from shareholders at a general meeting, Circadian provided its shareholders with a 50 cents per share return comprising of the following:

- a capital return of 38 cents per share
- an unfranked special dividend of 12 cents per share

The total distribution amounted to $20.1 million. The unfranked dividend portion amounted to $4.8 million. Also refer to Note 18.

In February 2005, Circadian provided its shareholders with a further 15 cents per share unfranked special dividend amounting to a total of $6 million.

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $

Note 21. Outside Equity Interest

At balance date, the outside equity interests in the economic entity comprised:

Share of contributed equity	280,084	-	-	-
Share of accumulated losses	(137,671)	-	-	-
	142,413	-	-	-

Refer to Notes 9 and 28(c) for further details.

Note 22. Employee Benefits

(a) Employee Option Ownership Scheme

Circadian Technologies Limited offers options over ordinary shares to employees at the discretion of the Board of Directors.

Details of the employee option ownership schemes for both the parent and the consolidated entities are as follows:

	Options	
	2005	2004
Total number issued to employees during the year ('000)	-	805
Total number issued to employees since commencement of the scheme ('000)	4,115	4,115
Total number of employees eligible to participate in this scheme	5	5
Total market value of issues during the year (i)	-	-
Proceeds received and receivable from issues during the year	-	$5

For further details regarding options to employees see Note 18(b) Options over Ordinary Shares. All of these options are owned by employees.

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

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
(b) Employee Benefits Recognised				
Aggregate employee benefits liability, including on-costs (Refer to Notes 15 and 17)	347,450	318,354	347,450	318,354
(c) Number of employees	**No.**	**No.**	**No.**	**No.**
The number of full time equivalents employed as at 30 June are:	5	5	5	5

Note 23. Director and Executive Disclosures

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

Sir Peter Derham	Chairman (non-executive)
Mr Leon Serry	Managing Director
Mr Ian R Davis	Director (non-executive) (resigned 26 April 2005)
Dr John Stocker	Director (non-executive)
Mr Graeme Kaufman	Executive Director
Mr James MacKenzie	Director (non-executive)

(ii) Specified Executive

Ms Natalie Korchev	Company Secretary & Chief Financial Officer

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

Remuneration of directors and senior executives of the Company is established by the Remuneration Committee which is authorised to determine the remuneration of directors and senior executives taking into account market factors and a review of performance. The Remuneration Committee may seek independent remuneration advice. For executive directors and officers, remuneration packages generally comprise salary and superannuation. Executives are also provided with longer-term incentives through the Company's option schemes, to allow the executives to participate in the growth of the Company as a result of their efforts.

The Board is responsible for reviewing its own performance. The non-executive directors are responsible for evaluating the performance of the managing director, who in turn evaluates the performance of all other senior executives. The evaluation process is intended to assess the Company's business performance, whether long-term strategic objectives are being achieved and the achievement of individual performance objectives.

Note 23. Director and Executive Disclosures (continued)

(ii) Remuneration of Specified Directors and Specified Executives

		Primary	Post Employment	Equity	Other Benefits	Total
		Salary & Fees	Superannuation	Options *(refer Note (c))*		
Specified Directors						
P Derham	2005	63,077	-	-	-	63,077
	2004	48,000	-	-	-	48,000
L Serry	2005	582,084	52,388	90,157	-	724,629
	2004	582,084	52,388	174,332	-	808,804
I Davis	2005	35,223	3,170	-	1,625	40,018
	2004	36,000	3,240	-	-	39,240
J Stocker	2005	62,538	5,628	-	-	68,166
	2004	55,000	4,950	-	-	59,950
G Kaufman	2005	250,435	22,539	45,079	-	318,053
	2004	240,000	21,600	84,324	-	345,924
J MacKenzie	2005	43,538	3,918	-	-	47,456
	2004	36,000	3,240	-	-	39,240
Total Remuneration: Specified Directors						
	2005	**1,036,895**	**87,643**	**135,236**	**1,625**	**1,261,399**
	2004	997,084	85,418	258,656	-	1,341,158
Specified Executives						
N Korchev	2005	168,801	15,192	4,508		188,501
	2004	151,800	13,662	9,001		174,463
Total Remuneration: Specified Executives						
	2005	**168,801**	**15,192**	**4,508**		**188,501**
	2004	151,800	13,662	9,001		174,463

(c) Remuneration options: Granted and vesting during the year

The value of the options attributed to remuneration of specified directors and specified officers for the current financial year represent the amortised cost of options that were granted in prior financial years (2002 and 2004). There were no remuneration options granted during the current year.

The options which were issued in the 2001 financial year expired in September 2003. As these options were "out of the money" during their entire term, they were not exercised by the relevant specified director and specified executive.

The options which were issued in the 2002 and 2004 financial years have four vesting dates, for various proportions of the total issued options, during the life of the options. The options issued in these years were "well out of the money" at their respective grant dates and as at 30 June 2005.

The amortised cost of options vesting during the current period (i.e. the value determined as part of remuneration) has been determined by allocating the fair value of the options equally over their respective vesting periods. Currently, these amortised fair values are not recognised as an expense in the financial statements and no adjustments have been made or will be made to reverse amounts previously disclosed in relation to options that never vest or are not exercised (i.e. actual forfeitures).

Note 23. Director and Executive Disclosures (continued)

(i) Fair Values of Options

The following assumptions were used to derive a value for the options issued in the 2004 financial year using the Binomial option-pricing formula as at the grant date. Options granted in the 2002 financial year were valued using the Black-Scholes option-pricing formula as at 30 June 2002.

	Options Granted		
	30 July 2001	**14 August 2001**	**25 September 2003**
Dividend yield	-	-	1.04%
Expected volatility	12.34%	12.34%	45.00%
Historical volatility	12.34%	12.34%	45.00%
Risk-free interest rate	5.745%	5.745%	5.41%
Expected life of option	4 years	4 years	5 years
Fair value per option	< 1 cent	< 1 cent	68 cents – 78 cents, (ii)
Exercise price per option	$4.75 - $5.50	$4.75 - $5.50	$3.00 - $3.50

The expected life of the options is assumed to be total years from grant date to expiration date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

All options outstanding as at 30 June 2005, which comprise all options issued since 1 July 2001, continue to be "well out of the money" as at 30 June 2005 (market share price $1.18). Accordingly, none of these options have been exercised to date. The options granted on 30 July 2001 and 14 August 2001 will expire on 30 July 2005 and 14 August 2005 respectively.

(ii) Options Granted During the Year

There were no options or other securities granted to specified directors and the specified executive during the current financial year and vested options were not exercised as they were "well out of the money".

(iii) Details Regarding Options by Specified Director and Specified Executive

	Vested Number during FY05 *	**Granted Number during FY05**	**Grant Date**	**Value per Option at Grant Date**	**Exercise Price per Share**	**First Exercise Date**	**Last Exercise Date**
Specified Directors							
L. Serry	256,250	-	N/A	Refer (i)	Refer (i)	N/A	N/A
G. Kaufman	115,000	-	N/A	Refer (i)	Refer (i)	N/A	N/A
Specified Executive							
N. Korchev	18,750	-	N/A	Refer (i)	Refer (i)	N/A	N/A
Total	390,000	-					

* The number of options that vested during the reporting period includes relevant portions of those granted in the 2002 and 2004 financial years. These were not exercised during the reporting period.

(d) Shares Issued on Exercise of Remuneration Options

There were no options exercised by specified directors and specified executives during the reporting period.

Note 23. Director and Executive Disclosures (continued)

(e) Option holdings of Specified Directors and Specified Executives

Options held (Number)

	Balance at 1 July 2004	Granted as Remuneration	Options Exercised	Options Expired	Balance at 30 June 2005	Total Exercisable (Vested at 30 June 2005)
Specified Directors						
L Serry	1,525,000	-	-	(500,000)	1,025,000	775,000
G Kaufman	460,000	-	-	-	460,000	335,000
Specified Executive						
N Korchev	125,000	-	-	(50,000)	75,000	62,500
Total	2,110,000	-	-	(550,000)	1,560,000	1,172,500

(f) Shareholdings of Specified Directors and Specified Executives

Shares held in Circadian Technologies Limited (Number)

	Balance at 1 July 2004	Granted as Remuneration	Exercise of Options	Net Change Other	Balance at 30 June 2005
Specified Directors					
P Derham	500,001	-	-	-	500,001
L Serry	2,600,000	-	-	(500,000)	2,100,000
G Kaufman	28,500	-	-	-	28,500
I Davis (i)	578,667	-	-	(i) (578,667)	-
J Stocker	282,334	-	-	-	282,334
J MacKenzie	-	-	-	-	-
Specified Executives					
N Korchev	-	-	-	-	-
Total	3,989,502	-	-	(1,078,667)	2,910,835

(i) Mr I Davis resigned as a director of Circadian on 26 April 2005. Mr Davis held 578,667 Circadian shares as at 30 June 2005.

All equity transactions with specified directors and specified executives 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 entity would have adopted if dealing at arm's length.

Note 23. Director and Executive Disclosures (continued)

(g) Other Transactions and Balances with Specified Directors and Specified Executives

Director Related Entity Transactions:

(i) During the year legal fees, including miscellaneous expenses, totalling $13,278 (2004: $7,640) were incurred by the consolidated entity for services provided by the legal firm of Minter Ellison of which Mr Ian Davis, a director of the company until his resignation on 26 April 2005, is a partner. These legal fees were charged at commercial rates.

(ii) During the year, secretarial fees totalling $17,500 (2004: $17,500) were paid by Traders Macquarie Pty Ltd to Circadian Technologies Limited. Mr Leon Serry, the Managing Director of the consolidated entity, is a director and major shareholder of Traders Macquarie Pty Ltd. This is a voluntary contribution.

Unrelated Listed Entity Transactions:

(i) Antisense Therapeutics Limited, a company in which Polychip Pharmaceuticals Pty Ltd (a 100% owned subsidiary) has a 20.4% shareholding, rented premises during the year from Castlegreen Pty Ltd, a company in which Mr 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 $84,379 (2004: $70,996) and was based on commercial rental rates.

(h) Loans to Specified Directors and Specified Executives

There were no loans to specified directors and specified executives during the current financial year and the previous financial year.

Note 24. Interests in Joint Venture Operations

Parties	Pharmaceutical Research and Development Project	Share of Project Income (Note (a))		Loss Contributed (Note (b)) $	
		2005	2004	2005	2004
Circadian Pharmaceuticals (Aust) Pty Ltd and Monash University	Circadian Rhythm Disorders Project	60%	60%	-	-
Polychip Pharmaceuticals Pty Ltd/Neuro Therapeutics Ltd and Monash University (c)	Anti-Allergy Asthma Project Analgesics Compound Project	67.5% 85.7%	67.5% 85.7%	23,643	55,364
Polychip Pharmaceuticals Pty Ltd/Neuro Therapeutics Ltd and University of Sydney (c)	Anti-Anxiety – GABA-C Receptors Project	60%	60%	-	28,966
Polychip Pharmaceuticals Pty Ltd and Victoria University of Technology	Yeast Mediated Reactions Project (Ephedrine)	60%	60%	-	-
Polychip Pharmaceuticals Pty Ltd/Neuro Therapeutics Ltd and the University of Melbourne (d)	Alzheimer's Disease Research Project	100%	100%	283,180	174,231
Polychip Pharmaceuticals Pty Ltd/Neuro Therapeutics Ltd and Howard Florey Institute (c)	Neurodegenerative Diseases Project	50%	50%	80,000	60,000
Polychip Pharmaceuticals Pty Ltd/Neuro Therapeutics Ltd and Howard Florey Institute (c)	Paracetamol Project	50%	50%	13,370	26,631
Other non joint venture research project costs				299,811	155,100
				700,004	500,292

(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.

(c) These projects were novated from Polychip Pharmaceuticals Pty Ltd to Neuro Therapeutics Limited effective 1 April 2004 (both entities are wholly owned subsidiaries of Circadian Technologies Limited). Neuro Therapeutics Limited was incorporated in January 2004 for the purpose of conducting research in neurological diseases.

(d) This project was novated from Polychip Pharmaceuticals Pty Ltd to Neuro Therapeutics Limited effective 1 August 2004.

(e) Expenditure commitments relating to joint venture research projects are payable as follows (these amounts are included in the total commitments disclosed in Note 27):

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Not later than one year	96,750	230,000	-	-
Later than one year, but not later than five years	180,000	296,750	-	-
	276,750	526,750	-	-

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

Note 25. Controlled Entities

Name of company incorporated in Australia	Book value of parent entity investment and % of each class of shares held			
	2005		2004	
	$	%	$	%
Circadian Pharmaceuticals (Aust) Pty Ltd	-	100	-	100
Precision Patchclamps (Int) Pty Ltd	925,972	100	925,972	100
Polychip Pharmaceuticals Pty Ltd	-	100	-	100
Fibre Optics (Aust) Pty Ltd	-	100	-	100
Centre Therapeutics Limited	-	100	-	100
Neuro Therapeutics Limited	-	100	-	100
CancerProbe Pty Ltd (i)	-	60	-	30
	925,972		925,972	

Circadian Technologies Limited is the ultimate parent entity.

All controlled entities have the same financial year as Circadian Technologies Limited.

(i) Circadian's wholly owned subsidiary, Fibre Optics (Aust) Pty Ltd, gained effective control of CancerProbe Pty Ltd on 1 June 2005. Also refer to Note 9.

Note 26. Related Party Disclosures

The following transactions and balances were held with related parties during the years ended 30 June 2004 and 2005:

(a) Loans to controlled entities of $16,280,344 (2004: $21,404,467) and to an associated entity of $544,987 (2004: $544,987) are stated at the lower of cost and recoverable value, are unsecured and have no fixed terms of repayment of principal (although repayment is not expected within the next year). No interest is payable except for loans to Syngene Limited and Centre Therapeutics Limited which are payable at 5% p.a. Interest ceased being charged to Centre Therapeutics Limited effective 1 January 2005.

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

	2005 $	2004 $
Controlled Entities		
Precision Patchclamps (Int) Pty Ltd	-	515,281
Polychip Pharmaceuticals Pty Ltd (i)	646,865	723,550
Fibre Optics (Aust) Pty Ltd (ii)	15,551,159	19,654,870
Centre Therapeutics Limited (i)	13,162	500,000
Neuro Therapeutics Limited (i)	69,158	10,766
	16,280,344	21,404,467
Associated Entity		
Syngene Ltd (Note 9)	544,987	544,987

(i) The amounts lent to Polychip Pharmaceuticals Pty Ltd, Centre Therapeutics Limited and Neuro Therapeutics Limited during the year were used for working capital purposes.

In the prior financial year, the amount lent to Polychip Pharmaceuticals Pty Ltd was mostly used for working capital purposes and was also used to subscribe for further ordinary shares in Antisense Therapeutics Limited via a share placement by Antisense Therapeutics Limited in August 2003.

Note 26. Related Party Disclosures (Continued)

(ii) The amount lent to Fibre Optics (Aust) Pty Ltd during the year was used to fund the acquisition of ordinary shares in Avexa Limited and CancerProbe Pty Ltd, part of which was offset by proceeds received on the disposal of its investment in Axon Instruments Inc (a small portion of the total investment in Axon was owned by Fibre Optics) (refer to Note 2).

In the prior financial year, the amount lent to Fibre Optics (Aust) Pty Ltd was used to fund the further acquisition of ordinary share options in Antisense Therapeutics Limited and also reflects the reversal of write-downs.

(b) Loans from controlled entities of $4,770,015 (2004: $3,127,499) are unsecured and have no fixed terms of repayment of principal (although repayment is not expected within the next year). No interest is payable.

	2005 $	2004 $
Controlled Entities		
Precision Patchclamps (Int) Pty Ltd (i)	1,667,558	-
Circadian Pharmaceuticals (Aust) Pty Ltd	3,102,457	3,127,499
	4,770,015	3,127,499

(i) The amount owing to Precision Patchclamps (Int) Pty Ltd has arisen due to the proceeds received by Circadian on behalf of Precision Patchclamps (Int) Pty Ltd on the disposal of Precision's investment in Axon Instruments Inc, less an unfranked dividend paid by Precision Patchclamps to Circadian on receipt of the Axon proceeds (refer to Note 2).

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Note 27. Commitments				
(a) Operating office lease expenditure contracted for is payable as follows:				
Not later than one year	87,504	71,849	87,504	71,849
Later than one year, but not later than five years	170,693	-	170,693	-
	258,197	71,849	258,197	71,849

Operating leases have an average lease term of three years. The asset that is the subject of an operating lease is office premises.

(b) Expenditure commitments relating to research projects are payable as follows:				
Not later than one year	229,446	455,000	-	-
Later than one year, but not later than five years	180,000	421,750	-	-
	409,446	876,750	-	-

Note 28. Statement of Cash Flows

(a) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash at bank and investments in money market instruments. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		Parent	
	2005	2004	2005	2004
	$	$	$	$
Cash	559,406	181,103	508,158	168,857
Term deposits (i)	24,120,000	17,250,000	23,900,000	16,950,000
Closing cash balance	24,679,406	17,431,103	24,408,158	17,118,857

(i) Term deposits are with a major bank and are short term. The bank pays interest at current bank deposit rates. At year end the average rate was 5.60% (2004: 5.38%).

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

Net profit after income tax	21,764,179	5,802,611	21,437,736	4,504,942
(Increase)/decrease in prepayments and other current assets	43,579	(181,287)	62,941	(95,069)
Increase in interest receivable	(82,090)	(45,503)	(82,475)	(44,314)
Decrease in tax rebate receivable	-	51,917	-	-
(Decrease)/increase in payables	(7,134)	(22,967)	(8,788)	24,074
(Decrease)/increase in employee provisions	29,096	(2,010)	29,096	(2,010)
Depreciation	21,160	26,592	21,160	26,592
Amortisation of goodwill	31,297	-	-	-
Write-down of receivables from subsidiaries	-	-	5,707,060	37,013
Reversal of write-down of receivables from subsidiaries	-	-	-	(5,533,108)
(Decrease)/increase in provision for diminution of investments in Amrad Corporation Ltd and Avexa Ltd to reflect year end market value	4,585,349	(1,130,583)	-	-
(Decrease)/increase in provision for diminution of other investments to reflect year end market value	868,434	(130,193)	-	-
Write-down of other investments to reflect year end market value	20,800	29,813	-	-
Profit on sale of investments	(29,942,876)	(6,235,425)	-	-
Foreign exchange losses	1,092,653			
Share of associates' (gains)/losses, net (Note 9(b))	(60,816)	128,089	-	-
Net operating cash flows used in operating activities	(1,636,369)	(1,708,946)	27,166,730	(1,081,880)

Note 28. Statement of Cash Flows (continued)

(c) Acquisition of Controlled Entity

On 1 June 2005, Fibre Optics (Aust) Pty Ltd ('Fibre Optics'), a wholly owned subsidiary of Circadian, gained effective control of CancerProbe Pty Ltd ('CancerProbe') when it increased its interest from 30% to 60% for a consideration of $300,000. As stated in Note 9, Fibre Optics purchased its original 30% investment for $400,000 on 8 December 2000 and has been equity accounting the results of CancerProbe since that date up until the date it gained effective control.

	$
Consideration	
- Cash paid for 30% interest on 1 June 2005	300,000
Total consideration	300,000
Net assets of CancerProbe at 1 June 2005	
- Cash	343,606
- Receivables	48,415
- Payables	(22,202)
Fair value of net assets of CancerProbe at 1 June 2005	369,819
Economic entity's share in net assets	101,829
Goodwill on acquisition	198,171
Total consideration	300,000
Net cash effect	
Cash balance acquired	343,606
Cash consideration	(300,000)
Cash paid for purchase of controlled entity as reflected in the consolidated statement of cash flows	43,606

	Consolidated	
	2005	2004
Note 29. Earnings Per Share	$	$
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Earnings/(loss) used in calculating basic and diluted earnings per share (numerator)	21,769,694	5,802,611
	Number of shares	**Number of shares**
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (denominator)	40,122,936	40,171,492
Effect of dilutive securities:		
Share options	-	566
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	40,122,936	40,172,058

(a) There have been no other conversions to, calls of, or subscription for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

	Consolidated		Parent	
	2005	2004	2005	2004
	$	$	$	$
Note 30. Remuneration of Auditors				
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 entity	58,596	29,050	43,781	27,850
- other services in relation to the entity and any other entity in the consolidated entity:				
- tax services	24,120	22,050	24,120	17,670
- assurance related	8,024	9,600	4,774	9,300
	90,740	60,700	72,675	54,820

Note 31. 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.

Note 32. Subsequent Events

(a) 2005

At the date of this report, the combined market value of Circadian's shareholding in Amrad Corporation Limited and Avexa Limited increased by $2,598,151 to $17,102,135. The increase in market value of these investments since year end is not reflected in the 2005 financial report.

(b) 2004

On 29 July 2004, the share price of a material investment in Amrad Corporation Limited decreased to 60 cents. The market value at year end was $18,089,333 and the market value at the date of the 2004 annual report (29 July 2004) was $16,958,750. The decrease in market value of the consolidated entity's investment in Amrad Corporation Limited since year end of $1,130,583 is not reflected in the 2004 financial report.

On 1 July 2004, Molecular Devices Corporation "announced that it has completed its acquisition of Axon Instruments Inc. The stockholders of both companies have approved the transaction, and all regulatory requirements and other conditions have been satisfied. Pursuant to the merger agreement announced on March 21, 2004, former Axon stockholders are receiving 0.00734 of a share of Molecular Devices common stock and (US)$0.1359 cash for each share of Axon common stock. Molecular Devices is issuing approximately 3.6 million shares of its common stock and paying approximately (US)$68 million of cash in exchange for all the outstanding shares of Axon..."

As at the merger date, the value of this transaction to Circadian Technologies Limited was $28.39 million which gives rise to a before tax profit on sale for Circadian of $26.45 million. This profit on sale will be reflected in the company's results for the financial year ending 30 June 2005.

Note 33. Financial Instruments

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Note	Fixed interest rate maturing in 1 year or less		Fixed interest rate maturing in over 1 to 5 years		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
		2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 %	2004 %
Financial assets											
Cash	28	559,406	181,103	-	-	-	-	559,406	181,103	3.94	3.55
Term deposits	28	24,120,000	17,250,000	-	-	-	-	24,120,000	17,250,000	5.60	5.38
Receivable – associated entity	26	-	-	544,987	544,987	-	-	544,987	544,987	5.00	5.00
Listed shares – Current (i)	6	-	-	-	-	18,720	39,520	18,720	39,520	N/A	N/A
Listed shares – Non-Current (i)	10	-	-	-	-	16,739,880	22,253,084	16,739,880	22,253,084	N/A	N/A
Listed options (i)	10	-	-	-	-	219,180	1,087,614	219,180	1,087,614	N/A	N/A
Total financial assets		24,679,406	17,431,103	544,987	544,987	16,977,780	23,380,218	42,202,173	41,356,308		
Financial liabilities											
Creditors	13	-	-	-	-	101,490	50,370	101,490	50,370	N/A	N/A
Payable to shareholders	13	-	-	-	-	134,147	-	134,147	-	N/A	N/A
Bill facility	14	5,000,000	-	-	-	-	-	5,000,000	-	5.80	-
Total financial liabilities		5,000,000	-	-	-	235,637	50,370	5,235,637	50,370		

N/A - not applicable for non-interest bearing financial instruments.

(i) 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.

Note 33. Financial Instruments (continued)

(b) Fair values

All financial assets and liabilities have been recognised at the balance date at their fair values, except for long-term listed investments which are classified as non-current assets and the long-term loan receivable (ie. receivable from associated entity). Long-term, non-associate, non-subsidiary investments are carried at the lower of cost or market valuation as described in Note 1 and as disclosed in Note 10. The market values, which approximate fair values for these investments, are also disclosed in Note 10. The long-term loan receivable is recognised in the balance sheet at its original value.

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term to maturity.

Creditors: The carrying amount approximates fair value.

Short-term bank borrowings: The carrying amount approximates fair value because of its short-term to maturity.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is represented by the closing market price and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments.

Note 34. Impact of Adopting Australian Equivalents to IFRS

Circadian Technologies Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources to identify and assess the key areas that would be impacted by the transition to AIFRS. Expert advice was sought as required to assist the company in the interpretation of AIFRS. The Board of Directors has been overseeing the progress of this transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Circadian's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Circadian prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity for the consolidated entity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the company with respect to implementation of AIFRS; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

The impact of AIFRS on the financial statements of the parent has not been finalised. It is expected that these financials will be impacted by share-based payments, taxation and financial instruments. In relation to tax and financial instruments the impact is expected to be different from the identified impacts on the consolidated financials. It is not expected that these changes to the financials for the parent will give rise to any material changes to the consolidated financials other than as identified in this note.

Note 34. Impact of Adopting Australian Equivalents to IFRS (continued)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Note	Consolidated 30 June 2005** $	Consolidated 1 July 2004* $
Total equity under AGAAP		37,545,530	41,695,543
Adjustments to retained earnings (net of tax)			
Recognition of share-based payment expense	(ii)	(108,754)	-
Write-back of goodwill amortisation	(i)	31,297	-
Recognition of deferred tax asset	(iii)	7,037,523	7,019,606
Adjustments to other reserves (net of tax)			
Recognition of share-based payment expense	(ii)	108,754	-
Recognition of deferred tax asset	(iii)	229,745	229,745
Total equity under AIFRS		44,844,095	48,944,894

* This column represents the adjustments as at the date of transition to AIFRS.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those of the year ended 30 June 2005.

(i) Under AASB3 *Business Combinations*, goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate potential impairment. Currently, the group amortises goodwill over its useful life but not exceeding 5 years. The group's assets including goodwill were tested for impairment on transition and at each subsequent reporting date. This would not result in impairment losses being recognised under AIFRS.

(ii) Under AASB 2 *Share based Payments*, the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payments are not recognised under AGAAP.

(iii) AASB 112 *Income Taxes* requires the group to use a balance sheet liability method, rather than the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a net deferred tax asset in relation to the company's non-current investments in listed entities and in associated companies. This includes the difference in the cost base of the company's investment in Axon Instruments Inc and its tax cost base (refer Note 3) and the difference between the market value of listed investments in Amrad Corporation Limited and Avexa Limited (their book value reflecting lower of cost and market value) and their tax cost base. Under AGAAP, the tax effects of differences between cost base and tax base for such assets are not recognised.

As at 1 July 2005 the company will apply the requirements of AASB 139 *Financial Instruments: Recognition and Measurement* (refer (iv) below). Pursuant to AASB 139 the company will be required to record at fair value all of its investments in "available-for-sale" financial assets, namely the investments in listed shares and options. Under AGAAP these assets have been recorded at the lower of cost and market value. As required by AASB 112, a deferred tax liability will be recognised on the fair value adjustments to the "available-for-sale" financial assets recorded at cost as at 30 June 2005 (namely listed shares in Metabolic Pharmaceuticals Limited, Antisense Therapeutics Limited and Optiscan Imaging Limited). Refer note (d) below for the effect to equity at 1 July 2005 in the application of AASB 139 and its related tax effect.

Note 34. Impact of Adopting Australian Equivalents to IFRS (continued)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS (continued)

The above changes will result in an increase/(decrease) in the net deferred tax asset under AIFRS as follows:

	Consolidated	
	30 June 2005	**1 July 2004**
	$	**$**
Opening deferred tax asset balance	7,249,351	-
Increase/(decrease) due to changes in retained earnings (i)-(iii) above	17,917	7,019,606
Increase/(decrease) due to changes in reserves (ii)-(iii) above	-	229,745
Net increase/(decrease) in deferred tax asset	17,917	7,249,351
Closing deferred tax asset balance	7,267,268	7,249,351

(iv) Management has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005 (also refer (iii) above). Refer note (d) below for the effect to equity of applying this standard on 1 July 2005.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

YEAR ENDED 30 JUNE 2005	**Note**	**Consolidated**
		$
Net profit as reported under AGAAP		21,764,179
Share-based payment expense	(a)(ii)	(108,754)
Write-back of goodwill amortisation	(a)(i)	31,297
Adjustment to income tax benefit/(expense)	(i), (a)(iii)	17,917
Net profit under AIFRS		21,704,639

(i) This tax expense for the 2005 financial year reflects the utilisation/reversal of capital losses on the sale of the company's holding in Axon Instruments Inc and Molecular Devices Corporation, which is offset by:

(a) income tax losses arising during the year ended 30 June 2005; and

(b) the tax benefit recognised on the increase in the provisions for diminution in investments for Amrad Corporation Limited and Avexa Limited and in listed options (refer Notes 2 and 10). Also refer to (a)(iii) above and Note 3.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

(d) Impact of adopting AASB 139 Financial Instruments: Recognition and Measurement as at 1 July 2005

	Note	Consolidated 1 July 2005 $
Total equity under AIFRS as per (a)		44,844,095
Adjustments to other reserves		
Fair value adjustment to financial assets	(a)(iii)&(iv)	31,860,498
Tax effect of fair value adjustment to financial assets	(a)(iii)	(9,558,150)
Total equity under AIFRS after AASB 139		67,146,443

The above change will result in a net deferred tax liability under AIFRS as at 1 July 2005 as follows:

Deferred tax asset balance as at 30 June 2005 (refer (a))	7,267,268
Tax effect of fair value adjustment to financial assets	(9,558,150)
Deferred tax liability as at 1 July 2005	(2,290,882)

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 and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

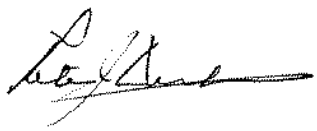
(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(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 period ending 30 June 2005.

For and on behalf of the Board:

Mr Leon Serry
Director



Sir Peter Derham
Director

Melbourne
2 August 2005

OTHER INFORMATION

	Consolidated 2005	2004
NTA backing		
Net tangible asset backing per ordinary security	$0.94	$1.04

(*Note:* NTA backing does not take into account the market value of the Company's listed investments which is in excess of the book value. At year end, the book value of these investments was $16,959,060 and the market value was $48,819,559 (2004: book value $23,340,698, market value $105,595,068)

Control gained over entity

On 1 June 2005 Fibre Optics (Aust) Pty Ltd ('Fibre Optics'), a wholly owned subsidiary of Circadian, gained effective control of CancerProbe Pty Ltd ('CancerProbe') when it increased its interest from 30% to 60% for a consideration of $300,000. Fibre Optics purchased its original 30% investment for $400,000 on 8 December 2000 and has been equity accounting the results of CancerProbe since that date up until the date it gained effective control. From 1 June 2005, Fibre Optics has consolidated the results of CancerProbe.

Name of entity	CANCERPROBE PTY LTD
Consolidated loss from ordinary activities and extraordinary items after tax of the controlled entity since the date in the current period on which control was acquired	$ (13,787)
Date from which such loss has been calculated	1 June 2005
Loss from ordinary activities and extraordinary items after tax of the controlled entity for the whole of the previous corresponding period	$ ($83,012)

	Consolidated 2005	2004
Ratios		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity at the end of the year	58.0%	13.9%

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:	6 October 2005
Time:	9.00 am
Approximate date the annual report will be available:	31 August 2005