



NOVOGEN 2003

Novogen Limited
ABN 37 063 259 754
Financial Statements
for the year ended
30 June 2003

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Amounts shown are in Australian dollars unless otherwise stated.

Directors' Report

Your Directors submit their report for the year ended 30 June, 2003.

This annual report has been based on accounts which have been audited.

Company's Directors

The names of the Company's Directors during the financial year and up to the date of this report are as follows:

Mr P A Johnston (Chairman)
Mr C Naughton (Managing Director)
Dr G E Kelly
Professor P J Nestel AO
Mr P B Simpson

All Directors were in office from the beginning of the financial year until the date of this report.

Information on Directors

Philip A Johnston Non-Executive Director and Chairman – Dip Eng (Production)

Non-Executive Director since 1997, Mr Johnston was elected chairman of the Novogen Group with effect from 1 January, 2001. Mr Johnston has extensive experience in the pharmaceutical industry including 9 years as an Executive Director of Wellcome Australia Limited. He was previously a Director of two subsidiary Companies of GlaxoWellcome. He has had responsibility for production, distribution, quality assurance and consumer product development and has been directly involved in the establishment of strategic alliances and joint ventures. He has completed a number of executive development programs including the University of NSW and the London Business School.

Christopher Naughton Managing Director – BEc, LLB

Managing Director since March 1997, Mr Naughton joined Novogen in 1996 as Commercial Director. Mr Naughton has degrees in Economics from the ANU and in Law from the UNSW. He has completed the Program for Management Development at the Harvard Business School, and is an Attorney in New South Wales. After working in merchant banking, he has spent the last 18 years in the pharmaceutical industry, including appointments as a Director of Wellcome Australia Limited and in worldwide business development with The Wellcome Foundation Limited in the UK.

Dr Graham E Kelly Executive Director – BSc(Vet), BVSc, PhD

Executive Director since 1994, Dr Kelly is founder and was the first Managing Director of Novogen Limited. Dr Kelly was Chairman of the Novogen Group until 31 December, 2000, a position he had held since March 1997; he is also Chairman of the AIM listed subsidiary company Marshall Edwards Inc. He has spent nearly 30 years in medical research involving drug development, immunology, surgery and cancer. Dr Kelly was Senior Research Fellow in Experimental Surgery in the Faculty of Medicine at the University of Sydney. He developed the β -1, 3-Glucan and Isoflavone intellectual property now owned by the Novogen Group.

Professor Paul J Nestel Non-Executive Director – AO MD, FTSE, FRACP, FAHA

Professor Nestel is currently a Senior Principal Research Fellow and Head of the Cardiovascular Nutrition Laboratory at the Baker Medical Research Institute, Victoria. Professor Nestel is also a Consultant Physician at the Alfred Hospital, Melbourne. He is president of the International Life Sciences Institute (Australasia) and is a member of the board of directors of ILSI South East Asia. He was formally Clinical Professor in Medicine, The Flinders University of South Australia. Professor Nestel has been and remains a member of many national and international committees for research and policy on cardiovascular disease. He has published over 370 scientific and medical papers and is a Fellow of the Australian Academy of Technological Sciences and Engineering and Fellow of the American Heart Association. Professor Nestel is an Officer of the Order of Australia.

Peter B Simpson Non-Executive Director – MPharm, PhC

Non-Executive Director since 1994, Mr Simpson has extensive experience in the development of pharmaceutical products for international markets. He was Research and Development Manager with David Bull Laboratories for 8 years prior to being appointed Chief Executive Officer of Biota Holdings Limited in 1987. At Biota he oversaw the research and development of an effective cure for influenza and the licensing of that discovery to Glaxo Limited.

Directors' Interests in the Shares and Options of the Company

At the date of this report the interests of the Directors, and their related parties, in the shares and options of Novogen Limited were:

	Ordinary Shares Fully Paid	Options		
		Number Outstanding	Exercise Price	Expiry Date
P A Johnston	43,594	3,128	4.01	27 Oct 2005
G E Kelly	8,736,519	—	—	—
C Naughton	318,511	700,000	2.91	24 Sep 2003
P J Nestel AO	14,000	20,000	3.58	20 July 2005
P B Simpson	500	3,128	4.01	27 Oct 2005
	9,113,124	726,256		

Key Financial Data

	2003 \$'000	2002 \$'000	Percentage Change
Revenue from ordinary activities	33,050	29,714	11%
Loss from ordinary activities after tax attributable to members	(10,454)	(14,654)	29%
Loss for the period attributable to members	(10,454)	(14,654)	29%
Net tangible assets per share (dollars)	0.44	0.56	

Earnings Per Share

	2003 Cents	2002 Cents
Basic and diluted earnings/(loss) per share	(10.9)	(15.4)

Corporate Information

Corporate Structure

Novogen Limited is a company limited by shares and is incorporated and domiciled in Australia. Novogen Limited and its controlled entities 'Novogen' or 'Group' has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which included the following controlled entities:

Name of Entity	Country of Incorporation	Ownership %
Novogen Laboratories Pty Ltd	Australia	100
Novogen Laboratories Pty Ltd	Australia	100
Novogen Research Pty Ltd	Australia	100
Phytosearch Pty Ltd	Australia	100
Phytogen Pty Ltd	Australia	100
Central Coast Properties Pty Ltd	Australia	100
Novogen Inc	USA	100
Glycotex, Inc.	USA	97.6
Novogen Limited	UK	100
Novogen BV	Netherlands	100
Novogen New Zealand Limited	New Zealand	100
Novogen Canada Limited	Canada	100
Marshall Edwards, Inc.	USA	95.1
Marshall Edwards Pty Limited	Australia	95.1

Principal Activities

The principal activities of the entities within the Group during the year were:

- pharmaceutical research and development;
- manufacturing and marketing of health supplements.

There have been no significant changes in the nature of those activities during the year.

Consolidated Results

The operating loss for the financial year, after providing for minority interests and income tax was \$10.5 million (2002: loss \$14.7 million). This represents an improvement of 29% over the prior year. The reduction in operating loss has been achieved by reducing expenses in advertising and marketing and by achieving higher margins through reduced production costs. This follows the relocation and commissioning at Wyong of manufacturing equipment previously used in the New Zealand plant.

Despite the reduced expenditure on advertising and marketing and the competitive market conditions in the US, and adverse exchange rate impacts of the stronger Australian dollar, sales were maintained at the same level as last year. This result is consistent with our strategy to conserve cash resources, bring the OTC business towards profitability while continuing to invest in Research and Development activities in the pharmaceutical drug development program. Cash balances at year-end were \$31.0 million.

Dividends Paid or Recommended

The Directors of Novogen Limited do not recommend the payment of a dividend. No dividends were declared or paid during the year.

Employees

The Group employed 61 people as at 30 June 2003 (2002: 57 people).

Review and Results of Operations

Revenue and International Market Development

The Group earned gross revenues of \$33.1 million versus \$29.7 million in the previous corresponding period, an increase of 11%. Revenues increased due to unrealised currency gains reflecting the stronger Australian dollar and increased royalty receipts. Included in gross revenues were sales of the consumer health products totalling \$19.6 million. Sales were maintained at the same level as last year despite the reduction in advertising and marketing spend, the disorientation left in the market for menopause products (especially in the United States) following the negative publicity surrounding the long term use of HRT and the impact of exchange rates. Sales have shown strong growth in all markets except the US and the Netherlands, which were 17% and 16% respectively below the corresponding period last year. Sales grew strongly in Australia, the UK and Canada which were 19%, 45% and 27% respectively above the same corresponding period last year. The strengthening of the Australian dollar versus major trading partners negatively impacted sales levels by 6% compared to last year.

During the financial year 2003/04 we expect the market for menopause products to be impacted by ongoing conflicting publicity and conflicting professional opinions about the safety and efficacy of HRT and natural alternatives. Also it will take some time for the Australian market to settle following the mass recall of many products produced by a company under investigation for unsatisfactory quality standards. Novogen will continue to position its products as the most clinically trialled natural alternatives in the menopause market. During fiscal 2003/04 Novogen expects to continue its strategy of conserving cash while achieving profitability in the OTC business.

Clinical Development

Major advances were made during the year on the Group's clinical development program.

Phenoxodiol

The Group's lead anti-cancer drug, phenoxodiol, continued its clinical development program through its 95.1% owned subsidiary company Marshall Edwards, Inc. Phenoxodiol is currently being evaluated in phase II clinical trials for the treatment of prostate cancer, ovarian cancer and squamous cell carcinomas (SCC).

Phenoxodiol and Ovarian Cancer

A phase II clinical trial is being conducted by Yale University School of Medicine. The trial is fully enrolled, using 40 patients with advanced, metastatic ovarian cancer that has become unresponsive to at least 2 standard chemotherapies (the average number of different drug regimes used previously in these patients is 5 per patient). Phenoxodiol is being administered as a monotherapy by bolus intravenous injection on two consecutive days per week in rising dosages (1, 3, 10 and 20 mg/kg/24-hr) to four groups, each of ten women, over treatment cycles of 12 weeks. Tumour response is being assessed on the basis of tumour mass, levels of the tumour marker (CA125) in the blood, survival over 12 months, and quality of life.

This clinical trial is based on laboratory studies at Yale University School of Medicine that showed phenoxodiol to be the most effective drug at killing ovarian cancer cells, including those that are resistant to all standard anti-cancer drugs.

Following analysis of the data from the current Phase II trial, a decision will be made concerning the next stage.

Cisplatin is a standard drug used in the treatment of ovarian cancer, but patient's tumours commonly become resistant to this drug after some months. A combination of phenoxodiol and cisplatin proved highly effective in stopping human ovarian cancer growth in animals with doses of phenoxodiol and cisplatin that alone were ineffective. This raises the prospect of obtaining an enhanced clinical response of phenoxodiol by combining it with standard chemotherapies, and the opportunity to conduct a combinational drug trial in ovarian cancer patients is under review currently.

A recent pre-clinical trial also extended these findings by showing that phenoxodiol proved highly effective at restoring ovarian cancer cells' sensitivity to standard anti-cancer drugs such as cisplatin.

Phenoxodiol and Prostate Cancer

A trial is current at two Australian hospitals testing the effect of oral phenoxodiol therapy in patients with late-stage prostate cancer that has become unresponsive to hormonal therapy. The phenoxodiol is being administered three times per day on a daily basis over treatment cycles of 12 weeks. There will be 24 patients in this trial, with patients being allocated to 7 different dose levels (from 0.72 to 9.0 mg per 24-hr). The trial currently has 14 patients enrolled.

Phenoxodiol and Cutaneous SCC

The potential for phenoxodiol in the treatment of cutaneous SCC arose from the observation that in patients being treated for other forms of cancer who coincidentally had aggressive, malignant SCC of the skin, the SCC tumours showed objective responses within several weeks. A phase II trial is current at an Australian hospital in patients with malignant SCC of the skin. Phenoxodiol is being administered orally, three times daily for a period of 3 months. There will be 30 patients enrolled and they will be each allocated to a treatment regime of one 50 mg dose taken 3 times per day.

NV-04

During the year the Company announced the successful completion of the first human trial for its cardiovascular drug program. The trial demonstrated outstanding potency of the drug and reproducibility in arterial dilation by enhancing the biochemical activities within the blood vessel wall. All patients who participated in the trial responded favourably in that intra-arterial administration of the drug led to significant increase in blood flow.

NV-07 α

The Company announced that it had discovered a new mode of action for the skin repair compound NV-07 α which is expected to have significant implications for the protection of human skin from sunlight induced damage.

The newly identified mode of action protects skin cells from damage to their DNA, a process which otherwise continues to occur over a period of days even after sun exposure has ceased. Human chemicals known to protect skin cells from the protracted DNA damage occurring after UV exposure were present in significantly higher levels in the skin of people treated with NV-07 α after UV exposure than in their untreated skin.

Corporate Developments

Glycotex, Inc., is a US subsidiary of Novogen Inc., established to provide a commercial vehicle for Novogen's glucan technology. Novogen has licensed its glucan technology to Glycotex, Inc., which will be responsible for the continued development of glucan and its ultimate commercialisation under the terms of the licence. Novogen will provide to Glycotex, Inc. administrative services, clinical trial management and clinical trial drug supplies. Glycotex, Inc. commenced Glucan clinical trials at three Australian hospitals in August 2003.

During April 2003, Glycotex, Inc., raised \$500,000 in an initial private placement from Australian and international investors and institutions. Novogen now owns 97.6% of Glycotex, Inc.

The shares were issued at \$10.00 each with attaching options to purchase a further two shares at an exercise price of \$10.00 per share. The attaching options are exercisable prior to 5 November, 2004. Novogen also issued to these investors a convertible security enabling investors to convert their investment in Glycotex, Inc. to Novogen shares at an equivalent Novogen share price of \$5.00 per share.

Intellectual Property Development

During the year a number of key patents were granted over the Company's intellectual property.

NV-07α

In September 2002, the United States Patent Office granted a patent to Novogen for NV-07α covering protection of the skin from sun induced immunosuppression and UV-induced damage. The patent protection confirms the Company's exclusive position in this after-sun skin care technology.

In January 2003 the Australian Patent Office also granted the same patent for NV-07α.

Isoflavones to Treat Menopause and PMS

In May 2003 the US Patent Office granted Novogen a patent over the use of its isoflavone technology in the treatment of the symptoms of menopause and pre-menstrual syndrome (PMS). The patent applies to the isoflavones, genistein, daidzein, formononetin and biochanin, all of which are used commonly in health supplements such as tablets, capsules, drinks and foodstuffs for the alleviation of the adverse symptoms of menopause and PMS.

The granting of this patent will add value to the product marketing and strengthens potential for possible further licensing transactions.

Soy Hypocotyl

In January 2003 the US Patent Office granted Novogen a patent for human dietary supplements comprising soy material made from ground soy hypocotyl containing at least one isoflavone. This patent extends the cover for soy to include soy hypocotyls which are approved for food and do not need to have the isoflavones chemically extracted. Soy hypocotyls thus are a source of isoflavones for food products which might have health claims attached. The use of these alternative isoflavone sources derived from soy has been licensed from Novogen to the US company DuPont Protein Technologies and its subsequent joint venture with Bunge now called Solae LLC.

Significant Events After Balance Date

There have been no significant events occurring after balance date which have had a material impact on the business.

Likely Developments and Expected Results of Operations

The Group intends to continue to advance the research and development into isoflavone applications and more advanced pharmaceuticals in the area of human phenolic compound technology. The marketing and sales of the consumer health products are expected to continue to grow, through both additional penetration in existing markets and geographical expansion.

The Company's subsidiary, Marshall Edwards, Inc., is currently considering funding options in order to raise the funds necessary to progress the clinical development of phenoxodiol.

The Directors consider that, having regard to the early stage in the development of the Company and its products, it would be inappropriate to comment on expected results for the coming year.

Environmental Regulation and Performance

The Group holds licences issued by the Environmental Protection Authority which specify the manner of waste disposal for the Entity's pilot manufacturing operations in North Ryde. The Entity also holds Dangerous Goods licenses for its manufacturing operations in Australia.

There have been no significant known breaches of the Group's licence conditions.

Directors' Meetings

During the financial year ended 30 June, 2003, the number of meetings held and attended by each Director were:

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration & Corp Gov	Capital Projects
Number of meetings held:	10	3	2	1
Number of meetings attended:				
P A Johnston	10	3	2	1
C Naughton	10	n/a	n/a	1
G E Kelly	9	n/a	n/a	n/a
P J Nestel AO	10	3	2	1
P B Simpson	9	3	2	0

Directors' and Other Officers' Emoluments

The Remuneration & Corporate Governance Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and any Executive Directors. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as the use of motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

Details of the nature and amount of each element of the emolument of each Director of Novogen Limited and each of the five Executive Officers of the Group receiving the highest emoluments for the financial year are as follows:

Emoluments' of Directors of Novogen Limited

	Annual Emoluments			Termination & Similar Payments	Long term Emoluments			Super- annuation	Total
	Base Fee	Committee Fee	Other		Options Granted	Amortised Cost	Remun- eration		
\$	\$	\$	\$	Number	\$	%	\$	\$	
PA Johnston	53,724	16,000	—	—	3,128	891	1.16%	6,276	76,891
C Naughton	400,621	—	42,513	—	700,000	31,749	6.21%	36,056	510,939
GE Kelly	278,952	—	63,010	—	—	—	0.00%	25,106	367,068
PJ Nestel	30,000	12,000	—	—	20,000	5,100	10.83%	—	47,100
PB Simpson	26,364	14,000	—	—	3,128	891	1.98%	3,634	44,889
	789,661	42,000	105,523	—	726,256	38,631		71,072	1,046,887

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the chief entity, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest.

Emoluments' of the Five Most Highly Paid Executive Officers of the Company and the Consolidated Entity

	Annual Emoluments		Termination & Similar Payments \$	Long term Emoluments		Super- annuation \$	Total \$
	Base Fee \$	Other \$		Options Granted			
				Number	Amortised Cost \$		
WJ Lancaster (USA)	229,866	6,167	—	90,196	14,164	23,824	274,021
AJ Husband	211,388	50,813	—	122,284	21,180	19,025	302,406
DR Seaton	222,372	27,173	—	96,988	13,847	20,013	283,405
CD Kearney	141,234	32,279	—	23,812	2,697	12,711	188,921
RL Erratt	137,471	35,708	—	90,936	14,462	12,372	200,013
	942,331	152,140	—	424,216	66,350	87,945	1,248,766

The terms 'Director' and 'Officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity.

The Company has adopted the fair value measurement provisions of ED 108 'Share-based Payment' prospectively for all options granted to Directors and relevant Executives, which have not vested as at 1 July, 2002. The fair value of such grants being amortised and disclosed as part of Director and Executive emoluments on a straight-line basis over the vesting period. No adjustments have been made or will be made to reverse amounts in relation to options that never vest (i.e. forfeitures).

Options granted as part of Director and Executive emoluments have been valued using the Black-Scholes option pricing model, which takes account of factors including the option exercise price, the volatility of the underlying share price, the risk free interest rate, expected dividends and the underlying share price, the current market price of the underlying share and the expected life of the option.

Executive Officers are those directly accountable and responsible for the operational management and strategic direction of the Group.

Share Options

As at the date of this report there were 2,437,608 unissued ordinary shares under options (2,441,951 at balance date). Refer to Note 16c of the Financial Statements for further details of the options outstanding.

Shares Issued as a Result of the Exercise of Options

During the year, employees and consultants have exercised their options to acquire 199,071 fully paid ordinary shares in Novogen Limited at a weighted average price of \$2.11.

During the year the following options have been issued under the Novogen Limited Employee Share Option Plan to a total of 41 eligible employees. The options were issued at an Exercise Price calculated as the weighted average of the 5 days closing price on the ASX prior to the date of issue:

Number	Exercise Price	Exercisable on or after	Expiry
140,883	\$2.10	30 November 2003	30 November 2007
140,883	\$2.10	30 November 2004	30 November 2007
140,883	\$2.10	30 November 2005	30 November 2007
140,883	\$2.10	30 November 2006	30 November 2007

During the year 37,200 options were issued to one Novogen consultant as follows:

Number	Exercise Price	Exercisable on or after	Expiry
9,300	\$2.10	30 November 2003	30 November 2007
9,300	\$2.10	30 November 2004	30 November 2007
9,300	\$2.10	30 November 2005	30 November 2007
9,300	\$2.10	30 November 2006	30 November 2007

Indemnification and Insurance of Directors and Officers

The Group has not, during or since the financial year, in respect of any person who is or has been a Director or Officer of the Company or related body corporate:

- (a) indemnified or made any relevant agreement for indemnifying against a liability incurred as a Director or Officer, including costs and expenses in successfully defending legal proceedings; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against liability incurred as a Director or Officer for the costs or expenses to defend legal proceedings, with the exception of the following matter:

the Group has paid premiums to insure each Director equally against the liabilities for costs and expenses incurred by them in defending legal proceedings arising out of their conduct involving a wilful breach of duty in relation to the Company. The total annual premium of the insurance paid by the Company is \$141,016.

Tax Consolidation

Effective 1 July, 2002, for the purposes of income taxation, Novogen Limited and its 100% owned subsidiaries have formed a tax consolidated group. The head entity of the tax consolidated group is Novogen Limited. Novogen Limited has not formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

Rounding of Amounts

The amounts contained in this Report and in the Financial Statements have been rounded off under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies. Amounts have been rounded off to the nearest thousand dollars unless otherwise stated.

Corporate Governance Statement

Board of Directors

The Novogen Limited Board of Directors is elected by and accountable to shareholders. It monitors and directs the business and is responsible for the corporate governance of the Company. Responsibility for managing the development of the Company consistent with the objective of enhancing long term shareholder value, is with the Managing Director, who is accountable to the Board.

The Board comprises five Directors of whom three are Non-Executive Directors. The two Executive Directors are the Managing Director, Mr Christopher Naughton, and Dr Graham Kelly. The number of Board meetings and the attendance are set out elsewhere in this Report. In addition the Board has established the following Committees – Audit, Corporate Governance and Remuneration, and Capital Projects.

Audit Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the Entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee.

The Audit Committee discusses and reviews any issues arising from external audits and reviews. It is charged with assessing the adequacy of the Company's financial and operating controls. It also reviews compliance with legal requirements affecting the Company and matters affecting corporate governance practices. The committee comprises, Peter Simpson (Chairman), Paul Nestel AO and Philip Johnston.

Corporate Governance and Remuneration Committee

The Corporate Governance and Remuneration Committee has been formed in order to review the controls at the business group level that safeguard the shareholders and Company's interests and ensures its integrity. It also reviews the remuneration of the Executive Directors by reference to independent data, external professional advice and the requirements to retain high caliber management. The committee comprises the Non-Executive Directors Peter Simpson (Chairman), Paul Nestel AO and Philip Johnston.

Capital Projects Committee

The Capital Projects Committee reviews capital investment proposals, assesses the project tenders and reviews progress against timetables and cost estimates. The Committee comprises Philip Johnston (Chairman), Peter Simpson, Paul Nestel AO and Christopher Naughton.

Management of Risk

The Group has established controls at Board level designed to safeguard the interests of the Group and ensure integrity in the reporting to shareholders. Group policies are in place to minimise risk that arise through the Group's activities. These include policies that:

- ensure that capital expenditure above a set level is approved by the Board;
- ensure business risks are appropriately managed through an insurance and risk management program;
- ensure that safety, health, environmental standards and management's systems are monitored and reviewed to achieve high standards of compliance and performance; and
- ensure implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators.

Ethical Standards

Novogen Limited has adopted a Statement of Professional Practice for the Directors and Officers of the Company which sets standards of behaviour including:

- to comply with the law and acknowledge the fiduciary duty due to the Company;
- not to engage in short term trading of the Company's shares or options; and
- not to trade in shares when they are aware of information which if disclosed publicly would be likely to materially affect the market price of the Company's shares or options.

Signed in accordance with a Resolution of the Board of Directors.



C Naughton
Managing Director
Sydney, 27 August 2003

Statement of Financial Performance
for the year ended 30 June, 2003

Novogen Limited and Controlled Entities	Notes	Consolidated		Novogen Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Sales revenue		19,630	19,582	–	–
Cost of sales		(7,200)	(7,583)	–	–
Gross Profit		12,430	11,999	–	–
Other revenue from ordinary activities	2	13,420	10,132	992	2,828
Selling & distribution costs		(3,303)	(3,673)	–	–
Marketing expenses		(9,878)	(12,014)	–	–
Research & development expenses		(8,252)	(7,853)	–	–
Administration expenses		(14,958)	(12,874)	(79,226)	(3,460)
Borrowing costs		(132)	(345)	–	–
Loss from ordinary activities before income tax expense	2	(10,673)	(14,628)	(78,234)	(632)
Income tax (expense)/benefit relating to ordinary activities	3	7	(45)	–	–
Loss from ordinary activities after income tax expense		(10,666)	(14,673)	(78,234)	(632)
Net loss		(10,666)	(14,673)	(78,234)	(632)
Net loss attributable to outside equity interests		(212)	(19)	–	–
Net loss attributable to members of Novogen Limited		(10,454)	(14,654)	(78,234)	(632)
Net exchange difference on translation of financial statements of foreign controlled entity		(1,956)	–	–	–
Total revenues, expenses and valuation adjustments attributable to members of Novogen Limited and recognised directly in equity		(1,956)	–	–	–
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Novogen Limited		(12,410)	(14,654)	(78,234)	(632)
Basic and Diluted Earnings per share (cents per share)	25	(10.9)	(15.4)		

Statement of Financial Position
as at 30 June, 2003

Novogen Limited and Controlled Entities	Notes	Consolidated		Novogen Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current Assets					
Cash	4	31,026	39,937	18,899	23,153
Receivables	5	4,438	4,505	89	89
Inventories	6	6,399	6,907	–	–
Other	7	588	517	462	359
Total Current Assets		42,451	51,866	19,450	23,601
Non-current Assets					
Receivables	5	–	–	–	73,650
Inventories	6	78	597	–	–
Property, plant and equipment	8	8,283	9,213	–	–
Intangibles	9	–	224	–	–
Other financial assets	10	–	–	7,420	7,420
Total Non-current Assets		8,361	10,034	7,420	81,070
Total Assets		50,812	61,900	26,870	104,671
Current Liabilities					
Payables	12	5,656	4,280	109	97
Interest bearing liabilities	13	679	845	2,587	2,587
Provisions	14	271	279	–	–
Total Current Liabilities		6,606	5,404	2,696	2,684
Non-current Liabilities					
Interest bearing liabilities	13	1,608	2,287	–	–
Provisions	14	201	164	–	–
Total Non-current Liabilities		1,809	2,451	–	–
Total Liabilities		8,415	7,855	2,696	2,684
Net Assets		42,397	54,045	24,174	101,987
Equity					
Parent Equity Interest					
Contributed equity	16	138,206	137,249	122,260	121,839
Reserves	17	(1,956)	–	–	–
Retained profits/(accumulated losses)	17	(94,424)	(83,970)	(98,086)	(19,852)
Total parent equity interest in equity		41,826	53,279	24,174	101,987
Total Outside Equity Interest	18	571	766	–	–
Total Equity		42,397	54,045	24,174	101,987

Statement of Cash Flows
for the year ended 30 June, 2003

Novogen Limited and Controlled Entities	Notes	Consolidated		Novogen Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash Flows from Operating Activities					
Receipts from customers		19,324	18,350	–	–
Payments to suppliers and employees		(29,275)	(28,811)	(1,498)	(1,611)
Interest received		1,177	1,114	903	1,082
Interest paid		(132)	(345)	–	–
Grants received		632	1,295	–	–
Income tax paid		7	(45)	–	–
Royalty received		2,324	1,878	–	–
Goods and Services Tax refunded/(paid)		96	(115)	–	–
Net Cash Flows used in Operating Activities	24	(5,847)	(6,679)	(595)	(529)
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment		(758)	(144)	–	–
Proceeds from sale of plant and equipment		35	40	–	–
Loans to controlled entities		–	–	(1,284)	(5,009)
Net Cash Flows used in Investing Activities		(723)	(104)	(1,284)	(5,009)
Cash Flows from Financing Activities					
Proceeds from the issue of ordinary shares		975	18,745	421	618
Payment of share issue costs		–	(1,932)	–	–
Proceeds from borrowings		–	2,417	–	–
Repayment of borrowings		(845)	(3,157)	–	–
Net Cash Flows from Financing Activities		130	16,073	421	618
Net Increase/(Decrease) in Cash Held		(6,440)	9,290	(1,458)	(4,920)
Add opening cash brought forward		39,937	31,129	23,153	29,924
Effect of exchange rate changes on opening cash		(2,471)	(482)	(2,796)	(1,851)
Closing Cash Carried Forward	4	31,026	39,937	18,899	23,153

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The financial report has been prepared in accordance with the historical cost convention. This general purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Changes in Accounting Policy

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to employee benefits.

The consolidated entity has adopted the revised Accounting Standard AASB 1028 'Employee Benefits', which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The change has no significant effect on the provision.

The consolidated entity has adopted the revised Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'. The change has no significant effect.

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Novogen Limited and all entities controlled by Novogen Limited from time to time during the year and at balance date. Novogen Limited and its controlled entities together are referred to in this financial report as the economic entity or Group. The effects of all transactions between entities in the economic entity are eliminated in full.

The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw Materials:

purchase cost on a first-in-first-out basis; and

Finished Goods and Work-in-Progress:

cost of direct material, and a proportion of manufacturing overheads based on normal operating capacity.

Recoverable Amount of Non-current Assets

Non-current assets are measured at cost, provided that their carrying value does not exceed their recoverable amount. Where the carrying amount of an individual non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. In determining recoverable amounts of non-current assets the expected net cash flows have not been discounted to their present values.

Research and Development

Costs incurred on research and development projects are expensed as incurred, unless future recoverability is assured beyond a reasonable doubt, to exceed those costs. Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected benefits. Unamortised costs are reviewed at each reporting date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Investments

All non-current investments are carried at the lower of cost and recoverable amount.

Intangible Assets

(i) Patents and Trademarks

Costs incurred in respect of patents and trademarks are expensed as incurred unless future recoverability is assured beyond a reasonable doubt.

(ii) Goodwill

Goodwill has been written off in the year to June 2003 in accordance with AASB 1013. Unamortised goodwill was reviewed by Directors at the reporting date. In their opinion no future benefits were considered probable and therefore goodwill was recognised in the profit and loss account as an expense.

Property, Plant & Equipment

Cost and Valuation

All property, plant and equipment are brought to account at cost.

Depreciation

Depreciation is calculated on a straight-line basis to write off the depreciable amount of each item of property, plant and equipment (excluding land) over its expected useful life to the economic entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Major depreciation periods are:

	2003	2002
Buildings	20 years	20 years
Plant and equipment	3–10 years	3–10 years
Leasehold Improvements	the lease term	the lease term

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

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.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance Leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In determining the economic benefits, provisions are made for certain trade discounts and returned goods. The following specific recognition criteria must also be met:

Sale of Goods

Goods have been dispatched to a customer pursuant to a sales order and invoice and the associated risks have passed to the carrier or customer.

Interest

Control of a right to receive consideration for the investment in assets has been attained.

Grant Income

Control of a right to receive grant funds has been attained, evidenced by confirmation from the relevant government or other body.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice value less a provision for any uncollectible debts. Debts, which are known to be uncollectible, are written off. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Receivables from related parties are recognised and carried at the nominal amount due.

All trade debtors are recognised at the amount receivable, as they are predominantly due for settlement no more than 30 days from the date of recognition.

Foreign Currency Translation

Translation of Foreign Currency Transactions

Foreign currency transactions are converted into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at balance date. Resulting exchange differences are brought to account in determining the profit or loss for the financial year.

Translation of Financial Reports of Overseas Operations

All foreign controlled entities with the exception of Marshall Edwards, Inc., are deemed to be fully integrated with the Company as they are not financially or operationally independent of Novogen Limited. The financial reports of overseas operations are, therefore, translated using the temporal method, with resulting losses or gains taken to the profit and loss account.

Marshall Edwards, Inc. is deemed to be self sustaining as it is financially and operationally independent of Novogen Limited. The financial reports of Marshall Edwards, Inc. are translated using the current rate method, and any exchange difference are taken directly to the foreign currency translation reserve.

Trade and Other 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.

Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are stated at the lower of cost and net realisable value. For the purposes of the statement of cash flows, cash includes deposits at call readily convertible into cash within two working days and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

Borrowings

Finance lease liability is determined in accordance with requirements of AASB 1008 – 'Leases'. Refer also to Note 15.

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 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.

Employee Entitlements

Wages and Salaries, Annual Leave

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at expected future pay rates in respect of employees' services up to that date. The value of the employer share option scheme described in Note 16 is not being charged as an expense.

Long Service Leave

The amounts expected to be paid to employees for their pro rata entitlement to long service leave, including 'on-costs', are accrued annually at expected future pay rates having regard to experience of employee departures and period of service. These entitlements 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 out flows, the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability, are used.

Share Option Plans

The value of share option plans described in Note 16 is not charged as an employee entitlement expense.

Earnings per Share (EPS)

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

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

- costs of servicing equity (other than dividends) and preference share dividends (if any);
- 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.

Contributed Equity

Ordinary share capital is recognised at the fair value of consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the share proceeds received.

Taxes

Income Tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related tax benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax.

The future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST) and Overseas Equivalent

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

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

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

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

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

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Note 2. Profit/(Loss) from Ordinary Activities				
<i>(a) Revenues from Operating Activities</i>				
Revenue from the sale of goods	19,630	19,582	–	–
	<u>19,630</u>	<u>19,582</u>	<u>–</u>	<u>–</u>
<i>(b) Revenues from Non-operating Activities</i>				
Interest – other persons/corporations	1,266	1,203	992	1,171
Grants received	632	1,295	–	–
Royalties received	2,362	1,879	–	–
Revenue from the sale of assets	35	40	–	–
Currency gains (Note 2d)	8,794	5,426	–	–
Other revenue	331	289	–	1,657
	<u>13,420</u>	<u>10,132</u>	<u>992</u>	<u>2,828</u>
Total revenues from Ordinary Activities	<u>33,050</u>	<u>29,714</u>	<u>992</u>	<u>2,828</u>
<i>(c) Expenses</i>				
Depreciation of non-current assets				
Plant and equipment	861	659	–	–
Buildings	290	290	–	–
Leasehold improvements	66	96	–	–
Amortisation of non-current assets				
Plant and equipment under lease	447	775	–	–
Goodwill	224	33	–	–
Total depreciation and amortisation expenses	<u>1,888</u>	<u>1,853</u>	<u>–</u>	<u>–</u>
Bad and doubtful debts				
Trade	52	661	–	–
Related parties	–	–	(74,934)	(1,657)
Decrement in value of inventories	617	2,561	–	–
Provision for employee entitlements	44	26	–	–
Rental expense relating to operating leases	677	693	–	–
Borrowing costs expensed				
Interest expense on finance lease	132	345	–	–
Total borrowing costs expensed	<u>132</u>	<u>345</u>	<u>–</u>	<u>–</u>

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 2. Profit/(Loss) from Ordinary Activities (continued)

(d) *Losses/(Gains)*

Net loss/(gain) on disposal of property, plant and equipment	(12)	494	–	–
Foreign currency losses (Note 2b)	9,310	5,908	2,796	1,851

(e) *Significant Items*

Provision for non-recovery – intercompany	–	–	(74,934)	(1,657)
	–	–	(74,934)	(1,657)

Note 3. Income Tax

(a) The prima facie tax, using tax rates applicable in the country of operation, on loss items differs from the income tax provided in the financial statements as follows:

Prima facie tax (credit) on loss from ordinary activities	(3,202)	(4,388)	(2,309)	(190)
Tax effect of permanent differences:				
Non deductible depreciation and amortisation	67	10	–	–
Non deductible expenses	67	213	67	128
Research and development allowance	(261)	207	(261)	–
Sundry items	89	62	89	–
Income tax adjusted for permanent differences	(3,240)	(3,896)	(2,414)	(62)
Benefit of tax losses from Group companies	–	–	–	–
Australian income taxes	–	1	–	–
United States State income taxes	–	3	–	–
New Zealand income tax	(7)	41	–	–
Canadian Provincial taxes	–	–	–	–
Current year tax losses not brought to account	3,240	3,896	2,414	62
Income tax expense attributable to operating loss	(7)	45	–	–

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

Note 3. Income Tax (continued)

(b) Tax losses were transferred for \$nil consideration (2002: \$nil)

(c) Future income tax benefit not brought to account at balance date as realisation of the benefit is not regarded as virtually certain arising from:

(i) tax losses carried forward	20,861	17,758	4,977	–
(ii) timing differences	1,698	1,838	8,991	5,874
	22,559	19,596	13,968	5,874

This future income tax benefit will only be obtained if:

- (i) the relevant companies derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the relevant companies continue to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the relevant companies in realising the benefit from the deductions for the losses.

(d) The balance of the franking account at the end of the financial year for the economic entity and the parent entity is \$nil (2002 \$nil).

Tax Consolidation

Effective 1 July, 2002, for the purposes of income taxation, Novogen Limited and its 100% owned subsidiaries have formed a tax consolidated group. The head entity of the tax consolidated group is Novogen Limited. Novogen Limited has not formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

Note 4. Cash

Cash at bank and on hand	12,387	17,674	260	891
Deposits at call	18,639	22,263	18,639	22,262
	31,026	39,937	18,899	23,153

Short term deposits have an average maturity of 30 days and have a fixed or floating interest rate for the term of the deposit.

Note 5. Receivables**Current**

Trade debtors	4,517	4,644	–	–
Provision for doubtful debts	(350)	(783)	–	–
	4,167	3,861	–	–
Other debtors	271	644	89	89
	4,438	4,505	89	89

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 5. Receivables (continued)

Non-current

Amounts other than trade debts receivable from related parties

Wholly-owned group – controlled entities	–	–	92,652	91,368
Provision for non-recovery	–	–	(92,652)	(17,718)
	–	–	–	73,650

(a) Australian dollar equivalents

Australian dollar equivalent of amounts receivable in foreign currencies not effectively hedged:

United States dollars	2,033	2,675	13,936	16,258
Great British pounds	592	373	994	1,100
Euros	131	166	155	160
Canadian dollars	218	279	85	90
New Zealand dollars	–	–	111	111

(b) Terms and conditions

- (i) Trade debtors are non-interest bearing and generally on 30 day terms
- (ii) Details of the terms and conditions of the related party receivables are set out in Note 22
- (iii) Other debtors are non-interest bearing and have repayment terms between 7 and 30 days

Note 6. Inventories

Current

Raw materials – at cost	479	398	–	–
Provision for diminution in value of raw materials	–	(153)	–	–
Work in progress – at cost	3,652	4,674	–	–
Finished goods – at cost	2,228	1,976	–	–
	6,359	6,895	–	–
Other inventory – at cost	40	12	–	–
	6,399	6,907	–	–

Non-current

Other inventory – at cost	53	235	–	–
Raw materials – at cost	979	1,889	–	–
Provision for diminution in value	(954)	(1,527)	–	–
	78	597	–	–

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 7. Other Current Assets

Prepayments	588	517	462	359
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Note 8. Property Plant and Equipment

Land at cost	1,545	1,545	–	–
Buildings at cost	3,459	3,459	–	–
Accumulated depreciation	(1,714)	(1,424)	–	–
	1,745	2,035	–	–
Total Land and Buildings	3,290	3,580	–	–
Plant and equipment under lease	3,199	6,446	–	–
Accumulated amortisation	(1,453)	(3,448)	–	–
	1,746	2,998	–	–
Plant and equipment	8,814	4,971	–	–
Accumulated depreciation	(5,619)	(2,440)	–	–
	3,195	2,531	–	–
Leasehold improvements	343	329	–	–
Accumulated depreciation	(291)	(225)	–	–
	52	104	–	–
Total Property Plant and Equipment	17,360	16,750	–	–
Accumulated amortisation and depreciation	(9,077)	(7,537)	–	–
Total Property Plant and Equipment	8,283	9,213	–	–

An independent valuation of the land and buildings measured at cost was undertaken. The valuation was based on market value for the existing use as at 30 June, 2003. The total value as per the valuation amounted to \$5.85 million which exceeded the net carrying value in the accounts. No adjustment was made to the land and buildings.

(a) Assets pledged as security

Included in the balances of freehold land and buildings are assets over which mortgages have been granted as security over leasing facilities. The terms of the mortgages preclude the assets being sold or being used as further security without the permission of the mortgage holder.

Assets under lease are pledged as security for the associated lease liabilities.

The book value of assets pledged as security are:

Freehold Land	1,545	1,545	–	–
Freehold Buildings	1,745	2,035	–	–
Plant and Equipment under lease	1,746	2,998	–	–
Plant and Equipment at cost	3,164	2,550	–	–

Novogen Limited and Controlled Entities	Consolidated 2003 \$'000	Novogen Limited 2003 \$'000
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Note 8. Property Plant and Equipment (continued)

(b) Reconciliations

Reconciliations of the carrying amounts of plant, property and equipment at the beginning and end of the current financial year.

Freehold Land

Carrying amount at beginning	1,545	–
	<u>1,545</u>	<u>–</u>

Buildings on Freehold Land

Carrying amount at beginning	2,035	–
Additions	–	–
Depreciation Expense	(290)	–
	<u>1,745</u>	<u>–</u>

Plant and Equipment under Lease

Carrying amount at beginning	2,998	–
Additions	–	–
Disposals	(805)	–
Depreciation Expense	(447)	–
	<u>1,746</u>	<u>–</u>

Plant and Equipment

Carrying amount at beginning	2,531	–
Additions	1,548	–
Disposals	(23)	–
Depreciation Expense	(861)	–
	<u>3,195</u>	<u>–</u>

Leasehold Improvements

Carrying amount at beginning	104	–
Additions	14	–
Depreciation Expense	(66)	–
	<u>52</u>	<u>–</u>

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 9. Intangibles

Goodwill	–	492	–	–
Accumulated amortisation	–	(268)	–	–
	–	224	–	–

Goodwill was written off during the year.

Note 10. Other Financial Assets

Shares in controlled entities – at cost	–	–	7,420	7,420
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The carrying value of the parent entity's investment in controlled entities exceeds the net assets of the relevant controlled entities as at 30 June, 2003. A provision for diminution in value of the parent entity's investment in controlled entities has not been recorded by the parent entity, as the Directors believe that the value of future cash flows will support the current carrying value.

Note 11. Interests in Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding		Cost of Novogen Limited's Investment	
			2003 %	2002 %	2003 \$'000	2002 \$'000
Novogen Laboratories Pty Ltd (i)	Australia	Ordinary	100	100	400	400
Novogen Research Pty Ltd (i)	Australia	Ordinary	100	100	7,000	7,000
Phytosearch Pty Ltd	Australia	Ordinary	100	100	–	–
Phytogen Pty Ltd	Australia	Ordinary	100	100	20	20
Central Coast Properties Pty Ltd (i)	Australia	Ordinary	100	100	–	–
Novogen, Inc.	USA	Ordinary	100	100	–	–
Glycotex, Inc.	USA	Ordinary	97.6	100	–	–
Novogen Limited	UK	Ordinary	100	100	–	–
Novogen BV	Netherlands	Ordinary	100	100	–	–
Novogen New Zealand Limited	NZ	Ordinary	100	100	–	–
Novogen Canada Limited	Canada	Ordinary	100	100	–	–
Marshall Edwards, Inc.	USA	Ordinary	95.1	95.2	–	–
Marshall Edwards Pty Limited	Australia	Ordinary	95.1	95.2	–	–
					7,420	7,420

(i) Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to these companies from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Novogen Limited and the controlled entities subject to the Class Order, entered into a Deed of Cross Guarantee on 28 May, 1999. The effect of the deed is that Novogen Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Novogen Limited is wound up.

The consolidated statement of financial performance and statement of financial position of the entities which are members of the 'Closed Group' are as follows:

	2003 \$'000	2002 \$'000
Statement of Financial Performance		
year ended 30 June, 2003		
Operating loss before income tax	(7,868)	(11,712)
Income tax attributable to operating (loss)	–	–
Operating loss after income tax	(7,868)	(11,712)
Retained profits/(accumulated losses) at the beginning of the financial year	(45,247)	(33,535)
Retained profits/(accumulated losses) at the end of the financial year	(53,115)	(45,247)
Statement of Financial Position		
as at 30 June, 2003		
Current Assets		
Cash	19,120	23,484
Receivables	2,386	2,245
Inventories	3,604	4,573
Total Current Assets	25,110	30,302
Non-current Assets		
Receivables	41,553	42,398
Inventories	121	597
Property, plant and equipment	8,200	9,128
Intangibles	–	224
Total Non-current Assets	49,874	52,347
Total Assets	74,984	82,649
Current Liabilities		
Payables	3,102	2,517
Interest bearing liabilities	679	845
Provisions	249	243
Total Current Liabilities	4,030	3,605
Non-current Liabilities		
Interest bearing liabilities	1,608	2,287
Provisions	201	164
Total Non-current Liabilities	1,809	2,451
Total Liabilities	5,839	6,056
Net Assets	69,145	76,593
Equity		
Contributed Equity	122,260	121,840
Retained profits/(accumulated losses)	(53,115)	(45,247)
Total Equity	69,145	76,593

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 12. Payables**Current**

Trade creditors	2,571	2,425	–	–
Other creditors and accruals	3,085	1,855	109	97
	<u>5,656</u>	<u>4,280</u>	<u>109</u>	<u>97</u>

Australian dollar equivalents of amounts payable
in foreign currencies not effectively hedged:

– United States dollars	972	1,467	–	–
– Great British pounds	127	49	–	–
– Euro	56	194	–	–
– Canadian dollars	147	177	–	–
– New Zealand dollars	7	51	–	–

Terms and conditions relating to the above trade creditors

- trade creditors are non-interest bearing and normally settled on 30 day terms.
- other creditors are non-interest bearing and normally settled on 30 day terms.

Note 13. Interest Bearing Liabilities**Current**

Lease Liabilities (secured) (Note 27b)	679	845	–	–
Borrowing – controlled entity (unsecured)	–	–	2,587	2,587
	<u>679</u>	<u>845</u>	<u>2,587</u>	<u>2,587</u>

Non-current

Lease Liabilities (secured) (Note 27b)	1,608	2,287	–	–
	<u>1,608</u>	<u>2,287</u>	<u>–</u>	<u>–</u>
Secured Lease Liability – Finance leases	2,287	3,132	–	–

Terms and Conditions relating to the above financial instruments

- Finance leases have an average lease term of 4 years with the option to purchase the asset at the completion of the lease term for the residual value. The average interest rate implicit in the leases is 8.42% (2002: 8.39%). Lease liabilities are secured by a fixed and floating charge over the assets of the Closed Group. Terms and Conditions relating to the above borrowings (Note 22).

Note 14. Provisions**Current**

Employee Entitlements	271	279	–	–
-----------------------	-----	-----	---	---

Non-current

Employee Entitlements	201	164	–	–
	<u>472</u>	<u>443</u>	<u>–</u>	<u>–</u>

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 15. Financing Arrangements

(a) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit

Total facilities				
Lease facilities	4,000	4,000	–	–
	<u>4,000</u>	<u>4,000</u>	<u>–</u>	<u>–</u>
Used at balance date				
Lease facilities	3,155	3,722	–	–
	<u>3,155</u>	<u>3,722</u>	<u>–</u>	<u>–</u>
Unused at balance date				
Lease facilities	845	278	–	–
	<u>845</u>	<u>278</u>	<u>–</u>	<u>–</u>

(b) The finance lease facilities are secured by a fixed and floating charge over all the assets of the Closed Group as well as a registered mortgage over the land and buildings.

(c) Novogen Limited has entered into a Cross Deed of Covenant where it has guaranteed the bank facilities of wholly owned controlled entities, Novogen Research Pty Ltd, Novogen Laboratories Pty Ltd and Central Coast Properties Pty Ltd, should any of these companies be unable to meet the repayments of these facilities.

Note 16. Contributed Equity

Novogen Limited				
95,611,785 (2002: 95,412,714) ordinary shares	122,260	121,839	122,260	121,839
Marshall Edwards, Inc.				
52,032,000 (2002: 52,023,000) ordinary shares	15,458	15,410	–	–
Glycotex, Inc.				
2,050,000 (2002: 2,000,000) ordinary shares	488	–	–	–
	<u>138,206</u>	<u>137,249</u>	<u>122,260</u>	<u>121,839</u>

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(a) During April 2003, Glycotex, Inc., raised \$500,000 in an initial private placement from Australian and international investors and institutions. Novogen now owns 97.6% of Glycotex, Inc.

The shares were issued at \$10.00 each with attaching options to purchase a further two shares at an exercise price of \$10.00 per share. The attaching options are exercisable prior to 5 November, 2004. Novogen also issued to these investors a convertible security enabling investors to convert their investment in Glycotex, Inc. to Novogen shares at an equivalent Novogen share price of \$5.00 per share. These ordinary shares have the right to receive dividends as declared and, in the event of winding up Glycotex, Inc., to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Note 16. Contributed Equity (continued)

(b) Marshall Edwards, Inc., a subsidiary of Novogen Limited, issued 100 ordinary shares of par value US\$1.00 each to Novogen Limited on 20 December 2000 for cash. In April 2001 the 100 shares were 'split' into 49,500,000 shares. A further 2,523,000 ordinary shares were issued in May 2002 to parties outside the economic entity. These ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

(c) Movements in issued and paid up ordinary share capital of Novogen Limited are as follows:

	Number of Shares	Issue Price \$	\$'000
On issue 1 July, 2002	95,412,714		121,839
Options converted to shares	30,026	1.53	46
Options converted to shares	51,734	2.00	103
Options converted to shares	101,595	2.23	227
Options converted to shares	15,716	2.84	45
Total options exercised during the period	<u>199,071</u>		<u>421</u>
On issue 30 June, 2003	<u>95,611,785</u>		<u>122,260</u>

(d) Movements in issued and paid up ordinary share capital of Marshall Edwards, Inc. are as follows:

	Number of Shares	Issue Price \$	\$'000
On issue 1 July, 2002	53,023,000		15,410
Options converted to shares	9,000	5.89	53
Less outside equity interest			(5)
Total options exercised during the period	<u>9,000</u>		<u>48</u>
On issue 30 June, 2003	<u>52,032,000</u>		<u>15,458</u>

(e) Movements in issued and paid up ordinary share capital of Glycotex, Inc. are as follows:

	Number of Shares	Issue Price \$	\$'000
On issue 1 July, 2002	2,000,000		0
Options converted to shares	50,000	10.00	500
Less outside equity interest			(12)
Total options exercised during the period	<u>50,000</u>		<u>488</u>
On issue 30 June, 2003	<u>2,050,000</u>		<u>488</u>

(f) Particulars of options issued by Novogen Limited are as follows:

Grant Date	Exercise Price	Expiry Date	Original issue	On issue 1 July, 2002	Issued during the year	Converted to fully paid shares	Options forfeited during the year	On issue 30 June, 2003
25/03/98 (i)	\$2.23	25/03/03	180,728	94,723	—	85,911	8,812	—
25/03/98 (ii)	\$2.23	25/03/03	15,684	15,684	—	15,684	—	—
24/09/98 (iii)	\$2.91	24/09/03	700,000	700,000	—	—	—	700,000
22/12/98 (ii)	\$2.00	22/12/03	104,734	51,734	—	51,734	—	—
26/03/99 (i)	\$2.84	26/03/04	217,000	99,508	—	15,716	4,356	79,436
26/03/99 (ii)	\$2.84	26/03/04	38,572	38,572	—	—	—	38,572
23/06/99 (v)	\$2.9460	23/06/04	20,000	20,000	—	—	—	20,000
23/06/99 (v)	\$2.7725	23/06/04	85,000	85,000	—	—	—	85,000
13/03/00 (i)	\$4.00	13/03/05	221,028	137,364	—	—	11,884	125,480
13/03/00 (ii)	\$4.00	13/03/05	27,360	27,360	—	—	—	27,360
20/07/00 (v)	\$3.5819	20/07/05	50,180	50,180	—	—	—	50,180
30/11/00 (i)	\$4.00	30/11/05	238,220	175,636	—	—	16,088	159,548
30/11/00 (ii)	\$4.00	30/11/05	7,248	7,248	—	—	—	7,248
27/10/00 (iv)	\$4.01	27/10/05	9,384	6,256	—	—	—	6,256
10/08/01 (i)	\$1.53	10/08/06	695,528	596,448	—	30,026	66,617	499,805
13/07/01 (v)	\$2.05	13/07/06	101,950	101,950	—	—	—	101,950
30/11/02 (i)	\$2.10	30/11/07	526,332	—	526,332	—	22,416	503,916
30/11/02 (ii)	\$2.10	30/11/07	37,200	—	37,200	—	—	37,200
Total			3,276,148	2,207,663	563,532	199,071	130,173	2,441,951

- (i) Options issued under the Employee Share Option Plan. Options vest in four equal annual instalments over the vesting period
- (ii) Options issued to consultants. Options vest in four equal annual instalments over the vesting period.
- (iii) Options issued to the Managing Director by resolution of shareholders on 24 September, 1998. Options vest upon achievement of certain share price performance hurdles.
- (iv) Option issued to Non-executive Directors by resolution of shareholders on 27 October, 2000. Options vest in four equal annual instalments over the vesting period
- (v) Options issued to consultants. Options vest twelve months after grant date.

The last trade of Novogen Limited shares on the Australian Stock Exchange on 30 June, 2003 was \$5.36.

Share Option Plans

Employee Share Option Plan

The Employee Share Option Plan provides for the issue of options to eligible employees being an employee or Director of the Company or related company. Each option entitles its holder to acquire one fully paid ordinary share and is exercisable at a price equal to the weighted average price of such shares at the close of trading on the Australian Stock Exchange Limited for the five days prior to the date of issue. Options are not transferable. The option lapses if the employee ceases to be an employee during the vesting period. There are currently 41 employees eligible for this scheme.

Consultant Options

The Company has also granted options by way of compensation to consultants who perform services for Novogen and its controlled entities.

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 17. Reserves and Retained Profits/(Accumulated Losses)**(a) Retained Profits/(Accumulated Losses)**

Balance at the beginning of the year	(83,970)	(69,316)	(19,852)	(19,220)
Accumulated losses	(10,454)	(14,654)	(78,234)	(632)
Balance at the end of the year	(94,424)	(83,970)	(98,086)	(19,852)

(b) Foreign Currency Translation*(i) Nature and Purpose of Reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations

(ii) Movements in Reserve

Balance at beginning of year	–	–	–	–
Gain/(loss) on translation of overseas controlled entities net of loss on hedge	(1,956)	–	–	–
Balance at the end of the year	(1,956)	–	–	–

Note 18. Outside Equity Interest

Reconciliation of outside equity interest in controlled entities

Opening Balance	766	–	–	–
Additions to outside equity interest by way of share issue				
Marshall Edwards, Inc.	5	785	–	–
Glycotex, Inc.	12	–	–	–
Add Share of operating losses of controlled entities				
Marshall Edwards, Inc.	(211)	(19)	–	–
Glycotex, Inc.	(1)	–	–	–
Closing Balance	571	766	–	–

Note 19. Segment Information

Segment Accounting Policies

The Group generally accounts for intercompany sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year there were no changes in the segment accounting policies that had a material effect on the segment information.

Primary Segment

Geographical Segments	Australia/NZ		North America		Europe		Elimination		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue										
Sales to customers outside the consolidated entity	6,228	5,224	10,658	12,084	2,744	2,274	–	–	19,630	19,582
Other revenues from customers outside the consolidated entity	3,430	3,603	8,008	5,203	716	123	–	–	12,154	8,929
Intersegment revenues	6,457	4,571	71	258	–	–	(6,528)	(4,829)	–	–
Total segment revenue	16,115	13,398	18,737	17,545	3,460	2,397	(6,528)	(4,829)	31,784	28,511
Unallocated revenue									1,266	1,203
Total Consolidated Revenue									33,050	29,714
Results										
Segment result (loss)	(11,539)	(11,946)	3,146	(3,431)	(376)	(1,269)	(1,772)	2,363	(10,541)	(14,283)
Unallocated expenses									(132)	(345)
Consolidated entity profit/(loss) from ordinary activities before income tax									(10,673)	(14,628)
Income tax expense									7	(45)
Net loss									(10,666)	(14,673)
Assets										
Segment Assets	87,912	98,466	19,436	22,913	1,947	1,477	(58,483)	(60,956)	50,812	61,900
Liabilities										
Segment Liabilities	12,187	11,082	47,505	52,699	10,067	9,221	(61,344)	(65,147)	8,415	7,855

Other segment information	Australia/NZ		North America		Europe		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Note 19. Segment Information (continued)**Primary Segment (continued)****Other Segment information**

Acquisition of property plant and equipment, intangible assets and other Non-current assets

1,502	236	54	26	6	15	–	–	1,562	277
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Depreciation

1,156	907	49	125	12	13	–	–	1,217	1,045
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Amortisation

447	775	–	–	–	–	224	33	671	808
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Non cash expenses other than depreciation and amortisation

(572)	827	(634)	615	78	2	(3)	35	(1,131)	1,479
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Note:

The Novogen Group operates subsidiary companies in 3 major geographical areas being Australia/New Zealand, North America including the USA and Canada and Europe including the UK and the Netherlands. The subsidiaries are all involved in the selling and marketing of Novogen's dietary supplements including Promensil, Trinovin and Rimostil. The US company is also responsible for manufacturing and packaging products for the domestic US market. The other countries products are supplied from Australia in fully finished form.

All of the Group's sales revenues are sales of Novogen's dietary supplements. The Novogen Group operates in one business segment being to manufacture, market and sell dietary supplements.

Secondary Segment

	Dietary Supplements		Pharmaceutical Research & Development		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment Revenue	36,284	30,641	3,574	3,106	(6,808)	(4,033)	33,050	29,714
Segment Assets	92,985	101,850	15,406	21,006	(57,579)	(60,957)	50,812	61,900
Acquisition of property plant and equipment, intangible assets and other Non-current assets	1,280	110	282	167	–	–	1,562	277

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

Note 20. Remuneration of Directors

Income paid or payable, or otherwise made available in respect of the financial year, to all Directors of each entity in the consolidated entity and in connection with the management of affairs of the parent entity or its controlled entities.

1,099,747 951,728

Income paid or payable, or otherwise made available in respect of the financial year, to all Directors of Novogen Limited directly or indirectly from the entity or any related party.

1,046,887 948,523

The number of Directors of Novogen Limited whose total income (including superannuation contributions) falls within the specified bands is:

			Novogen Limited	
			2003	2002
\$10,000	—	\$19,999	—	1
\$30,000	—	\$39,999	—	1
\$40,000	—	\$49,999	2	1
\$70,000	—	\$79,999	1	1
\$320,000	—	\$329,999	—	1
\$360,000	—	\$369,999	1	—
\$450,000	—	\$459,999	—	1
\$510,000	—	\$519,999	1	—

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

Note 21. Remuneration of Executives

Remuneration received, or due and receivable, by Executive Officers of the consolidated entity whose remuneration is \$100,000 or more from entities in the consolidated entity or a related parties, in connection with the management of the affairs of the entities in the consolidated entity whether as an Executive Officer or otherwise.

2,813,243	2,361,897
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Remuneration received or due and receivable of Executive Officers of the Company whose remuneration is \$100,000 or more from the Company or any related party, in connection with the management of the affairs of the Company or any of its subsidiaries whether an Executive Officer or otherwise.

878,007	773,111
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The number of Executive Officers (including Directors) of the consolidated entity whose remuneration from entities in the economic entity and related parties was within the specified bands is as follows:

	Consolidated		Novogen Limited	
	2003	2002	2003	2002
\$100,000 – \$109,999	2	3	–	–
\$120,000 – \$129,999	1	–	–	–
\$130,000 – \$139,999	1	1	–	–
\$140,000 – \$149,999	1	1	–	–
\$150,000 – \$159,999	1	1	–	–
\$160,000 – \$169,999	–	1	–	–
\$170,000 – \$179,999	–	1	–	–
\$180,000 – \$189,999	2	–	–	–
\$200,000 – \$209,999	1	–	–	–
\$240,000 – \$249,999	–	1	–	–
\$250,000 – \$259,999	–	1	–	–
\$280,000 – \$289,999	1	–	–	–
\$300,000 – \$309,999	1	–	–	–
\$320,000 – \$329,999	–	1	–	1
\$360,000 – \$369,999	1	–	1	–
\$450,000 – \$459,999	–	1	–	1
\$510,000 – \$519,999	1	–	1	–

Executive Officers are defined as those involved in the management of the affairs of Novogen Limited and the consolidated entity.

Note 22. Related Party Disclosures**Directors**

The Directors of Novogen Limited at any time during the financial year were as follows:

Philip A Johnston
Christopher Naughton
Graham E Kelly
Paul J Nestel AO
Peter B Simpson

Equity Interests of Directors

Interests in the equity of Novogen Limited held by current Directors and their Director Related Entities

	Ordinary Shares Fully Paid		Options	
	2003 Number	2002 Number	2003 Number	2002 Number
P A Johnston	43,594	43,594	3,128	3,128
C Naughton	318,511	318,511	700,000	700,000
G E Kelly	8,736,519	9,131,256	–	–
P J Nestel AO	14,000	16,000	20,000	20,000
P B Simpson	500	500	3,128	3,128
	9,113,124	9,509,861	726,256	726,256

Movements in Directors Equity Holdings

During the year Directors and Director Related Entities disposed of 396,737 shares.

All equity dealings with Directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arms length.

Other Transactions with Directors and Director Related Entities

Sale of redundant red clover hay stock was made to P A Johnston totalling \$7,019.98. This was made under normal commercial terms and conditions.

Transactions with Related Parties in the Wholly-owned Group

	Novogen Limited	
	2003 \$	2002 \$
(a) Interest free loans made by Novogen Limited to wholly owned controlled entities with no fixed term for repayment	92,652,572	91,368,295
Provision for non-recovery	(92,652,572)	(17,718,095)
(b) Interest free loans made by wholly owned controlled entities to Novogen Limited with no fixed term for repayment	2,586,835	2,586,835

Ultimate Parent

Novogen Limited, a company incorporated in Australia, is the ultimate parent entity.

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003	2002	2003	2002
	\$	\$	\$	\$

Note 23. Remuneration of Auditors

(a) Amounts received or due and receivable by Ernst & Young Australia for:				
(i) an audit or review of the financial report of the entity and any other entity in the consolidated entity;	129,500	80,500	95,500	80,500
(ii) other services in relation to the entity and any other entity in the consolidated entity.	58,027	65,677	34,802	47,150
	<u>187,527</u>	<u>146,177</u>	<u>130,302</u>	<u>127,650</u>

Amounts received or due and receivable by related practice of Ernst & Young Australia for other services in relation to any entity in the economic group.	30,970	225,819	–	–
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Amounts received or due and receivable by Auditors of other subsidiaries in the economic entity for an audit/review, which are not already disclosed.	28,308	42,942	–	–
	<u>246,805</u>	<u>414,938</u>	<u>130,302</u>	<u>127,650</u>

	Consolidated		Novogen Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

Note 24. Statement of Cash Flows*(a) Reconciliation of Operating Loss after Income Tax to Net Cashflows from Operations*

Operating loss after income tax	(10,666)	(14,673)	(78,234)	(632)
Depreciation and amortisation	1,888	1,853	–	–
(Profit)/loss on sale of fixed assets	(12)	494	–	–
Changes in assets and liabilities				
(increase)/decrease in trade debtors	127	67	–	–
(increase)/decrease in prepayments	(71)	638	(103)	(103)
(increase)/decrease in other debtors	373	(33)	–	(19)
(increase)/decrease in inventories	1,027	4,752	–	–
increase/(decrease) in accounts payable	1,376	(868)	12	31
increase/(decrease) in provisions	(404)	609	74,934	(1,657)
exchange rate change on opening cash	515	482	2,796	1,851
Net cash outflow from operating activities	<u>(5,847)</u>	<u>(6,679)</u>	<u>(595)</u>	<u>(529)</u>

(b) Finance Leases

No plant and equipment was acquired during the year by means of finance leases (2002: \$133,000).

Novogen Limited and Controlled Entities	Consolidated	
	2003	2002
	\$'000	\$'000

Note 25. Earnings per Share

The following reflects the income and share data used in calculating basic and diluted earnings per share

Net loss	(10,666)	(14,673)
Adjustments:		
Net loss attributable to outside equity interests	(212)	(19)
Earnings used in calculating basic and diluted earnings per share	(10,454)	(14,654)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	95,472,984	95,187,449
Basic and Diluted loss per share (cents)	(10.9)	(15.4)

Diluted Earnings per Share:

The notional issue of potential ordinary shares resulting from the exercise of options detailed in Note 16c does not result in diluted earnings per share that shows a different view of the earnings performance of the Company, therefore the information has not been disclosed.

Conversions, call subscriptions or issues after 30 June, 2003

There have been 4,343 conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

Potential ordinary shares (non-dilutive) and not included in determining earnings per share 2,441,951 (Note 16e).

Note 26. Financial Instruments

(a) Interest Rate Risk Exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below.

Note	Floating Interest Rate		Fixed 1 year or less		Fixed 1–5 years		Non-interest bearing		Total		Weighted Average Rate of Interest		
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Financial assets													
Cash	4	11,246	17,500	–	–	–	–	1,141	176	12,387	17,676	1.38%	1.80%
Deposits	4	1,245	1,718	17,394	20,543	–	–	–	–	18,639	22,261	4.67%	4.79%
Receivables	5	–	–	–	–	–	–	4,438	4,505	4,438	4,505	n/a	n/a
		12,491	19,218	17,394	20,543	–	–	5,579	4,681	35,464	44,442		
Financial liabilities													
Payables	12	–	–	–	–	–	–	5,656	4,280	5,656	4,280	n/a	n/a
Interest bearing liabilities	13	–	–	679	845	1,608	2,287	–	–	2,287	3,132	8.42%	8.39%
		–	–	679	845	1,608	2,287	5,656	4,280	7,943	7,412		
Net financial assets/ (liabilities)		12,491	19,218	16,715	19,698	(1,608)	(2,287)	(77)	401	27,521	37,030		

(b) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and liabilities approximates their carrying value in the Statement of Financial Position, because they are short term and at market rates of interest.

(c) Credit Risk Exposures

The consolidated entities maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

Concentration of Credit Risk

The Company minimises concentration of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

Credit risk is managed in the following way:

- (i) payment terms are 30 days except for some customers who have 60 day terms; and
 - (ii) a risk assessment process is used for all customers.
-

Novogen Limited and Controlled Entities	Consolidated		Novogen Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 27. Expenditure Commitments

(a) Lease Commitments*

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities payable:

Not later than 1 year	432	444	–	–
Later than 1 year but not later than 5 years	378	812	–	–
	810	1,256	–	–

(b) Finance Leases**

Commitments in relation to finance leases are payable as follows:

Not later than 1 year	776	976	–	–
Later than 1 year but not later than 5 years	1,681	2,457	–	–
Minimum lease payments	2,457	3,433	–	–
Less: Future finance charges	(170)	(301)	–	–
	2,287	3,132	–	–

Representing lease liabilities:

Current (Note 13)	679	845	–	–
Non-current (Note 13)	1,608	2,287	–	–
	2,287	3,132	–	–

(c) Other Expenditure Commitments

Research and development contracts for service to be rendered:

Not later than one year	2,373	1,441	–	–
Later than 1 year but not later than 5 years	146	43	–	–
	2,519	1,484	–	–

* Operating leases represent payments for property and equipment rental. Leases for property include an annual review for CPI increases.

** Finance lease commitments have an average term of 4 years with an average interest rate of 8.39%. Assets which are subject to finance leases include building, plant and equipment.

There are no commitments for capital expenditure outstanding at the end of the financial year.

Note 28. Contingent Liabilities*Parent Entity Guarantees*

- (a) The parent company has unconditionally guaranteed Novogen BV's obligations under an agreement with a sales broker dated 10 March, 1999, for the performance of commercial services in the Netherlands.
- (b) The parent company has unconditionally guaranteed financial support for Novogen Limited (UK) should it be unable to meet its financial obligations.
- (c) The parent company has guaranteed in a deed dated 16 May, 2002 the performance of the Novogen subsidiaries arising in connection with the License Agreement and the Manufacturing and Supply Agreement with Marshall Edwards Pty Limited.
- (d) As a condition of the Class Order, Novogen Limited and the controlled entities subject to the Class Order, entered into a Deed of Cross Guarantee on 28 May, 1999. The effect of the deed is that Novogen Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Novogen Limited is wound up.

Note 29. Subsequent Events

There have been no significant events occurring after balance date which have had a material impact on the business.

Director's Declaration

In accordance with a resolution of the Directors of Novogen Limited, I state that:

1. In the opinion of the Directors:
 - (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June, 2003 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. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 11, will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board,



C Naughton
Managing Director
Sydney, 27 August, 2003

Independent Audit Report

To the members of Novogen 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 Novogen Limited (the company) and the consolidated entity, for the year ended 30 June, 2003. 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. In addition to our audit of the financial report, we were engaged to undertake other services referred to 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 Novogen Limited is in accordance with:

- (a) 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, 2003 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 professional reporting requirements in Australia.


Ernst & Young



G Daniels
Partner
Sydney, 27 August, 2003

ASX Additional Information

- The information required in the Appendix 4E, required by the Australian Stock Exchange, has been satisfied through this annual report.
- Novogen Limited has an Audit Committee consisting of P B Simpson (Chairman), P J Nestel AO, and P A Johnston.
- The names of the Substantial Shareholders disclosed to the Company are as follows:

Bende Holdings Pty Ltd	6,635,538 Shares
Oppenheimer Funds Inc.	13,462,783 Shares

- Distribution of shareholders by size of holding as at 18 August, 2003 was:

Category (size of Holding)			Number of Shareholders	Number of Shares
1	–	1,000	2,050	1,369,438
1,001	–	5,000	2,156	5,775,345
5,001	–	10,000	485	3,851,883
10,001	–	100,000	425	11,954,043
100,001+			48	72,665,419
			5,164	95,616,128

There is only one class of shares and all shareholders have equal voting rights.

- The number of shareholdings held in less than marketable parcels is 103.
- The names of the 20 largest shareholders listed in the holding Company's Register as at 18 August, 2003 were:

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. ANZ Nominees Limited	27,135,189	28.38
2. J P Morgan Nominees Australia	8,556,684	8.95
3. National Nominees Limited	7,482,359	7.83
4. Bende Holdings Pty Ltd	6,635,538	6.94
5. Ralston Purina Company	4,713,884	4.93
6. Leominister Company Limited	2,231,942	2.33
7. Citicorp Nominees Pty Limited	2,097,551	2.19
8. Westpac Custodian Nominees Limited	1,429,347	1.49
9. Petlind Pty Limited	1,102,554	1.15
10. Graham Edmund Kelly	1,100,000	1.15
11. Kartika Limited	1,000,000	1.05
12. Contango Nominees Pty Limited	924,673	0.97
13. HSBC Custody Nominees (Australia) Limited	746,433	0.78
14. Ankerwyke Holdings Pty Limited	700,000	0.73
15. Commonwealth Custodial Services Limited	692,043	0.72
16. Mr Peter Colvin Bradfield	500,001	0.52
17. Mr David Colin Archibald	471,954	0.49
18. Coolawin Road Pty Ltd	402,000	0.42
19. Berne No 132 Nominees Pty Ltd	401,345	0.42
20. Petcol Nominees Pty Limited	400,000	0.42
	68,723,497	71.86

7. The name of the Company Secretary is Ronald Lea Erratt.
8. The address of the principal Registered Office is 140 Wicks Road, North Ryde, NSW, 2113, Australia.
Telephone: +61 2 9878 0088
Facsimile: +61 2 9878 0055.
9. The Company's Share Register is maintained by Computershare Investor Services Pty Limited, Level 12, 565 Bourke Street, Melbourne, VIC, 3000, Australia.
Telephone: +61 3 9611 5711
Facsimile: +61 3 9611 5710
Investor enquiries within Australia: 1300 855 080
E-mail: essential.registry@computershare.com.au
10. Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited (code NRT). American Depository Receipts (ADR) – an ADR is created with 5 Australian listed shares – are traded on the American NASDAQ exchange (code NVGN). Marshall Edwards, Inc. is listed and quoted on the London Stock Exchange, AIM market (code MSH).

