Cyclopharm Limited
Appendix 4E

1. Company details

Name of entity

CYCLOPHARM LIMITED		
ABN or equivalent company reference	**Financial year ended ('current period')**	**Financial year ended ('previous period')**
74 116 931 250	31 December 2021	31 December 2020

2. Results for announcement to the market

2.1 Revenues from ordinary activities	up	20.6%	to	17,704,574
2.2 Loss from ordinary activities after tax attributable to members	down	(16.6%)	to	(5,040,166)
2.3 Net Loss for the period attributable to members	down	(16.6%)	to	(5,040,166)

2.4 Dividends	Amount per security	Franked amount per security
Final dividend proposed	0.5 cent	0.0 cent
Interim dividend - 2021	0.5 cent	0.0 cent

The Directors have resolved to pay a final unfranked dividend in respect of the financial year ended 31 December 2021 of 0.5 cent per share payable on 12 April 2022. An unfranked interim dividend in respect of the financial year ended 31 December 2021 was paid on 13 September 2021.

Ex-dividend date	Monday, 4 April 2022
Record date for determining entitlements to the final dividend	Tuesday, 5 April 2022
Payment date	Tuesday, 12 April 2022

2.5 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.

Key features of Cyclopharm's financial results for the 2021 year included:

- Record Group revenue of $17.70 million, up 20.6% on the prior comparable period (PCP)
- Technegas™ sales increased by 7.0% to $13.21 million
- Growth in Third-party distribution revenue delivers $4.10 million of revenue in FY21
- Net cash position at year-end of $29.25 million, following a successful share placement and retail share purchase plan in February 2021 that raised $33.0 million
- Approved R&D tax incentive resulting in Other Income of $2.29 million received in January 2022
- Technegas™ now in the final stages of the USFDA approval process following a $1.30 million investment in 2021
- Final USFDA response documents expected to be submitted in Q3 2022. Processes in place for rapid commercialization of Technegas™ in the United States following receipt of USFDA approval
- Solid progress in developing new, 'Beyond PE', clinical applications providing large, long term growth opportunities for Technegas™
- Cyclopharm is now fully funded for the next phase of growth
- Increasing Direct Customer access with the establishment of offices in Brussels, Belgium and Bristol, United Kingdom
- Final dividend maintained at 0.5 cents per share (cps), bringing total unfranked dividends for FY21 to 1.0 cps

Further information is included in Attachment 1.

3. Statement of financial performance

Refer Attachment 1.

4. Statement of financial position

Refer Attachment 1.

5. Statement of cash flows

Refer Attachment 1.

6. Statement of retained earnings

Refer Attachment 1.

7. Dividends

Refer paragraph 2.4

8. Dividend reinvestment plans

The Group does not have a dividend reinvestment plan.

9. Net tangible assets

Refer Attachment 1.

10. Entities over which control has been gained or lost during the period

Control over entities

Name of entity (or group of entities)	Refer Attachment 1.

Loss of control over entities

Name of entity (or group of entities)	Refer Attachment 1.

11. Details of associates and joint venture entities

Refer Attachment 1.

12. Significant Information

Refer Attachment 1.

13. Foreign Entities

Refer Attachment 1.

14. Commentary on results for the period

Refer Attachment 1.

15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.

The accounts are in the process of being audited.

16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below

The accounts are unlikely to be subject to dispute or qualification.

17. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below

Not applicable

Contact details:

Mr James McBrayer
Managing Director and Company Secretary
Cyclopharm Limited

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Appendix 4E
Preliminary Final Report
For the year ended 31 December 2021

cyclopharm

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

Managing Director's Report

MANAGING DIRECTOR'S REVIEW

Key features of Cyclopharm's financial results for the 2021 year include:

- **Record Group revenue of $17.70 million, up 20.6% on the prior comparable period (PCP)**
- **Technegas™ sales increased by 7.0% to $13.21 million**
- **Growth in Third-party distribution revenue delivers $4.10 million of revenue in FY21**
- **Net cash position at year-end of $29.25 million, following a successful share placement and retail share purchase plan in February 2021 that raised $33.0 million**
- **Approved R&D tax incentive resulting in Other Income of $2.29 million received in January 2022**
- **Technegas™ now in the final stages of the USFDA approval process following a $1.30 million investment in 2021**
- **Final USFDA response documents expected to be submitted in Q3 2022. Processes in place for rapid commercialization of Technegas™ in the United States following receipt of USFDA approval**
- **Cyclopharm is now fully funded for the next phase of growth**
- **Solid progress in developing new, 'Beyond PE', clinical applications providing large, long term growth opportunities for Technegas™**
- **Increasing Direct Customer access with the establishment of offices in Brussels, Belgium and Bristol, United Kingdom**
- **Final dividend maintained at 0.5 cents per share (cps), bringing total unfranked dividends for FY21 to 1.0 cps**

Dear Shareholders,

Cyclopharm delivered another solid financial performance in 2021 and continues to make progress in executing on growth strategies and opportunities.

Cyclopharm has four major strategies for growth:

- ✓ **Grow Technegas™ sales**
- ✓ **Expand the use of Technegas™**
- ✓ **Identify, develop and commercialise complementary innovative technology**
- ✓ **Leverage core strengths to accelerate our third-party distribution business**

Against these objectives, during 2021, Cyclopharm delivered a record revenue performance and entered the final stage of the approval process to commence sales of Technegas™ in the USA market in 2022.

The company focussed its attention on progressing United States Food and Drug Administration (USFDA) approval, while continuing to invest in further R&D and support of clinicians to expand the use of Technegas™ in new diagnostic applications as part of our 'Beyond PE' initiatives.

With new offices in Brussels, Belgium and Bristol, England, the company also continued to leverage our operational infrastructure, regulatory resources and direct marketing capabilities to expand our distribution partnerships which now include Jubilant Draximage, ROTOP, Lucerno and Tema Sinergie.

Managing Director's Report
Continued

FINANCIAL PERFORMANCE

Cyclopharm generated record total revenues in FY 2021 of $17.70 million, up 20.6% on the prior year. Revenue from sales of Technegas™ generators and Patient Administration Set (PAS) consumables have remained robust, slightly exceeding FY2020 revenues, with unit sales of each also exceeding those of FY2020.

In line with trends observed with many diagnostic procedures globally, sales in our core proprietary technology Technegas™, used in functional lung imaging primarily for the detection of pulmonary embolism, continued to be impacted by delays to medical procedures in certain markets caused by the ongoing pandemic. In addition, Technegas™ service revenue declined marginally over the period, with generator servicing also being impacted globally by travel and access restrictions. associated with the COVID-19 pandemic. In line with this, consumables revenue increased modestly, by 5% year on year, from $9.07m to $9.54m.

Earnings from our complementary strategy to distribute 3rd Party products in Europe, a new revenue stream introduced in FY20, added $4.10 million of additional revenues for FY 2021, growth of 89% compared to FY2020. This supplemented our Technegas™ business. 3rd Party distribution revenue is driven by a mix of radiopharmaceuticals, capital equipment and associated consumables. These products, whilst at lower margins than our proprietary Technegas™ products, are contributing strongly as an ongoing source of complementary profits. In the current financial year, the Company expects to expand this revenue stream in new markets, including Australia.

Cyclopharm recorded a loss after tax of approximately $5.04 million, an improvement of $1.00 million on the prior year's loss of $6.04 million. This performance primarily reflects the ongoing investment required for Cyclopharm to meet global regulatory requirements, which include the heavy investment required for the USFDA approval process. Expenditure on the Technegas™ USFDA regulatory approval process in 2021 was $1.30 million, compared to $3.31 million in the prior year. As a sign of the Board's confidence,a total of $14.69 million has been expensed on the current USFDA approval process project up to 31 December 2021

Net loss before tax for the year was $4.35 million compared to net loss before tax of $5.84 million in the prior year. The 2021 result includes $1.09 million in legal costs associated with the current actions to protect the Company's commercial interests in Europe and Australia, and an increase in salaries and wages expense of approximately $1.00 million in order to comply with extensive new regulatory compliance regulations globally and establishment of sales and service operations in Belgium and the United Kingdom.

Cyclopharm ended the financial year with a strong balance sheet and a cash balance of $29.25 million, reflecting the capital raising undertaken during the financial year, and ongoing operational cashflows. This cash balance ensures the company remains well capitalised to fund its ongoing FDA approval process, the anticipated launch of Technegas™ into the US market, R&D activities and working capital to fund continuing organic growth.

The proceeds of the capital raise are also being selectively invested into new larger growth opportunities for Technegas™ in the Beyond PE respiratory medicine market as well as ongoing research and development activities; product and systems enhancement; and working capital.

Cyclopharm completed its Research and Development Tax incentive claim for the 2021 financial year and received a cash payment in January 2022 of $2.30 million from the ATO (vs 2020 $3.10 million).

Based on ongoing and planned research and development activities, Cyclopharm also expects to receive an R&D tax incentive in respect of the current financial year. The exact amount of any

future R&D tax incentive will be subject to the nature, timing and value of R&D activities undertaken each year, some elements of which are outside of the company's control.

OPERATIONS AND STRATEGY

During the year to 31 December 2021, we continued to execute the Company's growth strategy of leveraging its significant intellectual property, technology and technical expertise to broaden sales into new countries and expand end-use device applications and complementary businesses.

Cyclopharm successfully delivered a number of significant achievements in executing its growth strategy, to include:

- Final Response documentation related to the USFDA application to market and distribute Technegas™ in the United States on track for submission Q3 2022
- Processes in place for rapid roll out of Technegas™ in the US following USFDA approval, including personnel training and inventory build.
- Strong support for Technegas™ in the USA continues to be expressed from frontline healthcare workers based on clinical outcomes and the strong safety profile of Technegas™.
- Initiation of further pilot clinical trials targeting new applications for Technegas™ in chronic respiratory disease states and post COVID-19 infection
- Technegas™ procedures rebounded following initial impact of the COVID-19 pandemic.
- Technegas™ H2 consumable sales recovered to pre-pandemic levels in key markets
- Favourable progress with regard to litigation in Australia and Germany to defend Cyclopharm's intellectual property is expected continue throughout 2022.
- In anticipation of US market entry, the Board appointed Ms Dianne Angus, an experienced Executive and Director in the biotechnology sector as an additional Non-Executive Director during 2021.

EXPAND TECHNEGAS™ REVENUES

Technegas™ sales grew by 7% to $13.21 million, edging closer to pre-pandemic levels of approximately $14 million.

3,079 boxes of Patient Administration Set (PAS) were sold (equal to 153,950 patient procedures), which is 297 more than the previous year. PAS revenue rebounded strongly in the major established markets of France, Germany and Canada, by 25%, 27% and 18% respectively. Declines in sales were recorded in other smaller-user European countries (Other/Russia) and Asia. All other markets recorded gains in sales.

Canada remains the largest country market by volume with 822 PAS boxes sold, closely followed by France with 750 PAS boxes sold in 2021.

A total of 57 Technegas™ Generators were sold compared to 51 sold in FY20.

The Technegas™ division benefited from new 3rd party distribution revenues increasing by $1.93 million to $4.10 million, from products manufactured by Rotop, TEMA and Draximage.

Sales of generators and other service revenue represented 27.8% of Technegas™ total revenue, up slightly from 26.6% in FY2020. Technegas has been recognised as a safer alternative to other nuclear medicine ventilation imaging agents in reducing the spread of COVID-19. The increase was primarily a result of a conversion of customers from competitive products in response to the risk of COVID-19 contamination.

Sales of Patient Administration Sets (PAS) represented 72.2% of Technegas™ revenue. Each box of PAS is equal to 50 patient procedures of Technegas™. Cyclopharm sold 3,079 PAS boxes (153,950 patient procedures) in 2021 up 11% from 2,782 in 2020. In comparison, PAS Revenue was also up 5%. The Group's sales of PAS units, although beginning to normalise, remain impacted by lower patient procedure numbers caused by the COVID-19 pandemic.

Regional review

Europe was the best performing region in 2021 delivering sales of $11.51 million up 10% on 2020. The European result benefited from $3.00 million of sales generated through Cyclopharm's 3rd party distribution agreements. The underlying sales of Technegas™ products and services in Europe improved 3% to $8.51 million, with the rebound in sales from France making it the largest European country market for Technegas™ products. In total 1,609 PAS sets were sold in Europe, up from 1,399 in 2020 and 37 generators were sold, up from 33 in 2020. PAS sales in Germany continued to perform strongly in line with the recovery in imaging services flowing from the initial COVID-19 outbreak. This resulted in PAS sales of 157 in 2021, up from 122 in 2020.

The Asia-Pacific region was robust, with revenues up 45% from $2.26 million in 2020 to $3.27 million in 2021. Generator sales across the Asian Pacific region were stable at 10 units in 2021, comprising 6 Units in Asia (FY2020: 3 Units) and 4 Units in Australia/NZ (FY2020: 7 Units). Asia-Pacific PAS sales of 588 in 2021 were down 8% from 642 in 2020. The ongoing impact of COVID-19 in reducing the number of diagnostic procedures across the Asia-Pacific is starting to abate, albeit modestly. The gradual resumption of non-urgent elective medical procedures in these markets is providing the impetus for a modest recovery in 2022.

Canada reported a strong recovery in sales of $2.44 million in 2021, up 39% compared to sales of $1.76 million in 2020. Canada saw generator sales rise by 2 to 9 in 2021 due to continuing market share penetration and PAS sales grew by 18% to 822 reflecting the lessening impact of COVID-19 and the strong market position in that jurisdiction.

Revenue in South Africa and Latin America continued to be severely impacted by COVID-19, but showing some green shoots of recovery, rising by 55%, from $62,506 in 2020 to $97,023 in 2021. PAS sales in Latin America were up 47% from 30 in 2020 to 44 in 2021 and there were no generators sold in Latin America during 2021. There was one generator sale in South Africa in 2021, up from zero in 2020 and PAS sales rose from 15 in 2020 to 16 in 2021, a rise of 7%.

SALES BY REGION ($MILLIONS)		**2018**	**2019**	**2020**	**2021**	**CHANGE FY20 TO 21**
Canada	Technegas™	2.14	2.55	1.76	2.44	39%
Europe	Technegas™	8.35	8.74	8.27	8.51	3%
	3RD Party Sales	0	0	2.17	3.00	38%
APAC	Technegas™	2.66	2.35	2.26	2.17	(4%)
	3RD Party Sales	0	0	0	1.10	100%
***ROW**	Technegas™	0.25	0.44	0.06	0.09	50%
Total		**13.40**	**14.08**	**14.52**	**17.31**	**19%**

*REST OF THE WORLD

USFDA APPROVAL PROCESS

The most significant business opportunity for Cyclopharm is gaining USFDA approval to sell Technegas™ in the US market. This process is now in its final stages, following a request from the USFDA in June 2021 for additional information arising from a pre-approval inspection.

The additional information request does not relate to the demonstrated efficacy and safety of Technegas™. Cyclopharm is highly confident the items and recommendations identified by the USFDA will be addressed and finalised in FY2022.

The Company met with the USFDA in late January 2022 to discuss its progress on the request for additional information and other matters. Based on work undertaken and the significant engagement with the regulator to date, the Company is confident it will submit this information in Q3 2022.

Cyclopharm is also continuing its preparations for US commercialisation of Technegas™, including personnel training and inventory build, to ensure a rapid commencement of sales once USFDA approval is granted. The USA presents Cyclopharm with a transformational market opportunity that we estimate is worth US$180 million annually. The Company's strategy for Technegas™'s rapid entry into the US is built around the supply of Generators to targeted US hospitals to support easy adoption of Technegas.

STRONG CLINICAL SUPPORT IN THE USA

The impact of the COVID-19 pandemic in the USA has been a catalyst for expressions of support for Technegas™ and accelerated support for the technology from US medical professionals including:

- June 2020, 77 US based Nuclear Medicine physicians wrote to the USFDA requesting an expedited NDA review for Technegas™.
- November 2020, a second letter was sent to the FDA with 90 physicians' signatures imploring both Cyclopharm and the FDA to move quickly towards approval
- November 2020, a group of 102 front-line Nuclear Medicine Technologists asked the USFDA to expedite the approval of Technegas™ stating: "We ask the FDA to finalize the approval of the Technegas™ application with utmost expediency.
- January 2021, the 16,000-member Society of Nuclear Medicine and Molecular Imaging (SNMMI) wrote a letter requesting "Fast Track Approval" of Technegas™.

This high level of support from US medical professionals reinforces the Board's expectation there will be strong initial sales demand for Technegas™ following USFDA approval.

US MARKET ENTRY AND SALES MODEL

As previously announced, Cyclopharm is undertaking a number of activities to ensure it is well placed to rapidly roll out Technegas™ in the USA once USFDA approval has been achieved. These activities include, building inventory reserves, the Company has grown its inventories from $4.7 million to $5.5 million at year end; pursuing agreements for 3rd Party distribution, service and installation, and administrative support.

It is very important to emphasize that US health insurance reimbursement for Technegas™ will be based on established nuclear medicine procedures that are agnostic to the approved agents being used. Therefore, in the US market Technegas™ will be reimbursable from day-one.

The existing market for nuclear medicine ventilation imaging in the USA for pulmonary embolism alone is estimated to be approximately US$180 million annually. Cyclopharm intends to access

this market in two stages. The first stage is the current addressable market of US$90 million. Based on Cyclopharm's experience in the Canadian market, it remains confident that Technegas™ can achieve a 50% share of the USA market over 2 to 3 years, post US market entry, with an 80% share achievable over a 5 to 7-year period.

The second stage is through increasing the pulmonary embolism diagnostic market that is imaged through nuclear medicine, from 15% to 30% of procedures. In the USA, 85% of all PE imaging is performed with CT pulmonary angiogram (CTPA) scan. Based on global experience, the unique properties of Technegas™ and the reliability of imaging outcomes enabled by our product, it is projected that the USA nuclear medicine market will adopt the 3-D imaging technique referred to as Single Photon Emission Tomography (SPECT) as opposed to the current 2-D imaging or Planar Imaging. SPECT imaging provides superior outcomes to both Planar and CTPA in the diagnosis of PE.

QUALITY MANAGEMENT SYSTEM

In parallel with the clinical elements of our USFDA New Drug Application, Cyclopharm is implementing an updated Quality Management System to include an Electronic Quality Management System (EQMS) at our manufacturing facility in Sydney. The Company has initiated a comprehensive documentation review of both our medical devices and pharmaceutical products to ensure Cyclopharm meets the compliance requirements of the most recent USFDA guidelines as well as the new International Medical Device Single Audit Program (MDSAP) implemented in 2019 and upcoming compliance with European Medical Device Regulations (MDR) that was effective as of 2021.

MDSAP is a regulatory harmonisation initiative between Australia, Brazil, Japan, Canada and the United States. MDSAP compliance will minimise disruptions due to multiple regulatory audits, provide predictable audit schedules and incorporate the ISO 13485 compliance required for our CE mark in Europe. The Company attained MDSAP certification during 1H 2019.

RENEWAL OF EUROPEAN REGULATORY APPROVAL

Technegas™ achieved renewal of its CE mark under the extensive new European Medical Device Regulations in January 2022.

The MDR replaced the Medical Device Directive (93/42/EEC) and Active Implantable Medical Device Directive (90/385/EEC). The MDR brings with it more scrutiny of technical documentation; it requires a higher level of assessment pertaining to the elements of product safety and performance by placing stricter requirements on clinical evaluation and post-market clinical follow-up; MDR also requires increased traceability of devices through the supply chain.

The renewal follows a significant achievement in light of sweeping European regulatory changes associated with the transition of medical device regulation from the MDD directive to the new MDR regulation. It reflects significant investment to updating Cyclopharm's quality management system to current regulatory standards.

BEYOND PE – SUBSTANTIALLY EXPANDING THE USE OF TECHNEGAS™

Cyclopharm is confident that the extension of Technegas™ into new applications such as the diagnosis and monitoring of COPD, asthma and other respiratory disease states will create opportunities to exponentially expand the market for Technegas™ beyond its traditional PE market.

Technegas™ remains the recognised functional ventilation imaging agent used in diagnosing Pulmonary Embolism as referenced in both the recently published Canadian Association of Nuclear Medicine Guidelines[1] and the updated 2019 European Association of Nuclear Medicine Guidelines[2]. Both guidelines reinforce the superior use of Technegas™ particularly in patients with COPD and the potential for nuclear medicine imaging.

Cyclopharm estimates the global COPD market is approximately 30 times the size of the PE market and over 500 million patients suffering with COPD and Asthma could benefit from the use of Technegas™ in diagnosis and ongoing patient monitoring/management. These markets represent significant opportunities to expand sales of Technegas™ and drive shareholder value over the medium term.

Cyclopharm continues to sponsor a number of clinical trials that investigate new applications for Technegas™. The diagnosis and monitoring of COPD, asthma and other respiratory disease states, are all being considered.

One example of these trials is a study into the use of Technegas™ in patients with severe small airways disease, being conducted at The University of Newcastle, Hunter Regional Medical Institute (HRMI) and John Hunter Hospital.

The 100-patient study included a 39-patient subset who underwent tests using Technegas™ to determine their response to therapy. The study images are currently being analysed with findings expected to be published later this year.

In addition to the Newcastle study, there are five additional clinical initiatives that are sponsored by Cyclopharm to include applications in patients with COPD, lung transplant and implications related to patients who are suffering lasting effects of Covid-19, often referred to as 'Long-COVID'.

The Company's Beyond PE initiatives are linked to significant Research and Development activities, which have been impacted by COVID-19 as the rate of patient recruitment for trials has been challenging. In addition, the Company has received enquiries from several third parties in the USA interested in conducting additional trials on Technegas™, including for matters associated with patients who had contracted COVID-19. Advancing these initiatives could expand the use of Technegas™ by improving the diagnosis and management of patients with COPD; other small airways diseases and those who are recovering from COVID-19 Related Lung Ventilation and Perfusion Injury

There are several Cyclopharm supported clinical trial initiatives being conducted targeting Beyond Pulmonary Embolism applications to include Asthma, COPD, Lung Transplant and, more recently, in indications related to the identification and management of Long-COVID. Indicative results from sponsored initiatives like the following case study and abstract indicate the clinical utility in these disease states with published results expected in the first half of 2022.

[1] Leblanc et. Al. CANM Guidelines for Ventilation/Perfusion (V/P SPECT) In Pulmonary Embolism. November 2018

[2] Bajc et. Al. EANM guideline for ventilation/perfusion single-photon emission computed tomography (SPECT) for diagnosis of pulmonary embolism and beyond. European Journal of Nuclear Medicine and Molecular Imaging. July 2019. https://doi.org/10.1007/s00259-019-04450-0

- McDonald - Imaging for precision medicine: can V-P SPECT measure mepolizumab response in asthma? (DOI: https://doi.org/10.1002/rcr2.717)

- Tahir - Investigating the Origin of the Frequency Dependence of Respiratory Resistance to Airflow in Post Lung Transplant Patients as a Marker for Chronic Lung Allograft Dysfunction (https: ajrccm-conference.2021.203.1_MeetingAbstracts.A4612 (atsjournals.org)

With the extensive clinical use of Technegas globally, during any given year publications, independent of the company, highlight the importance of functional ventilation imaging with Technegas in numerous respiratory conditions. A sampling of the independent 2021 publications referencing Technegas include:

- Bajc - Assessment of Ventilation and Perfusion in patients with COVID-19 discloses unique information of pulmonary function to a clinician: case reports of V/P SPECT (https: 10.1177/11795484211030159. eCollection 2021)

- Currie G - A Technical Overview of Technegas as a Lung Ventilation Agent (https://doi.org/10.2967/jnmt.121.262887)

- Blanc-Beguin - 68Ga-Labelled Carbon Nanoparticles for Ventilation PET/CT Imaging: Physical Properties Study and Comparison with Technegas® (https://doi.org/10.1007/s11307-020-01532-6)

- Bahloul - Signs of tracheobronchitis may constitute the principal finding on the lung SPECT/CT images of COVID-19 patients (https://doi.org/10.1007/s00259-020-05139-5)

- Ma - A Feasibility Study on Using Single-Photon Emission Computed Tomography Pulmonary Perfusion/Ventilation Imaging for the Diagnosis of Chronic Thromboembolic Pulmonary Hypertension and Patient Risk Assessment (https://doi.org/10.2147/IJGM.S335051)

- Rutting - Effect of combination inhaled therapy on ventilation distribution measured by SPECT/CT imaging in uncontrolled asthma (https://doi.org/10.1152/japplphysiol.01068.2020)

- Bajc - Pulmonary Functional Imaging, Basics and Clinical Application of Nuclear Medicine and Hybrid Imaging (https://doi.org/10.1007/978-3-030-43539-4_7)

- Al-Mashat -Pulmonary perfusion and NYHA classification improve after cardiac resynchronization therapy (https://doi.org/10.1007/s12350-021-02848-8)

Whilst achieving USFDA approval remains a major objective for Cyclopharm, the potential in applications Beyond PE represents a significant opportunity for the company.

COMMERCIALISING NEW TECHNOLOGIES - ULTRALUTE™

Ultralute™ is a proprietary technology owned by Cyclopharm that extends the useful life of Molybdenum-99 (Mo-99) generators by up to 50%. This technology improves operating efficiencies in nuclear medicine departments and can lead to better health outcomes for patients.

Changes in the European Union (EU) have required regulators to reassess and recertify all existing medical devices against more onerous Medical Device Regulations, and the scale of this task has slowed the introduction of new products into the EU region.

This has delayed the registration of Ultralute™ in Europe, and consequently, revenues from the sale of Ultralute™ did not commence in 2021.

OTHER BUSINESSES

Cyclopharm's distribution business secures new contracts

In 2021, Cyclopharm has continued to leverage its regulatory expertise and operational footprint to secure third-party distribution agreements in Europe and Asia Pacific. These partnerships demonstrate the success of the Company's strategy to pursue revenue from distributing third parties' products, following the acquisition of certain of the Company's European distributors.

During the year, the third-party distribution business contributed $4.10 million of revenue to the business. This additional revenue stream has been particularly advantageous during both 2020 and 2021, years in which COVID-19 has impacted our Technegas™ business.

In line with our strategy to build complementary revenue streams, we recently initiated the first sales of a 5-year agreement with Jubilant Draximage Inc of Canada, to distribute its RUBY-FILL® Generators and accessories in 14 European countries.

Sales under the new Jubilant Draximage agreement commenced in late 2020. Subject to achieving certain sales targets, Cyclopharm anticipates the contract will contribute up to approximately €500,000 to gross annual profit before tax by FY2023.

MACQUARIE MEDICAL IMAGING

Cyclopharm continues to maintain its 20% equity ownership in Macquarie Medical Imaging (MMI). It is anticipated that MMI will be de-registered upon the finalisation of its accounts payable and receivables.

Litigation Update

As previously announced, Cyclopharm continues to defend its valuable Intellectual Property vigorously and successfully. In 2019, the company successfully brought an initial civil case against its former employee in the German market, Mr Bjorn Altmann and Almedis Altmann GmbH ("Almedis").

Litigation expenses were $1.09 million in FY2021 compared to $1.44 million in FY2020. The Company continues to defend its intellectual property in German and Australian courts, and while progress is being made to resolve each matter, legal proceedings are expected to continue throughout 2022.

Corporate Governance

In line with good corporate governance practices, Cyclopharm's Board continues to evaluate its skills and composition to ensure they appropriately support the Company's growth and governance requirements.

Specifically, in anticipation of US market entry and the ongoing work required to expand the use of Technegas™ beyond the PE market, the Board appointed Ms Dianne Angus, an experienced Executive and Director in the biotechnology sector as an additional Non-Executive Director during 2021.

In December 2021, Independent Director, Mr McDonald, retired from the Board of Cyclopharm due to health reasons. The Board acknowledges and thanks Mr McDonald for his significant and valuable contribution as a director of the Company since joining the Board in 2017. The Company intends to commence a search process for Mr McDonald's replacement on the Board and will advise shareholders of the outcome of this process in due course.

Leadership Team

Cyclopharm's focus on its strategic pillars has allowed the Company to grow to the point where the USFDA approval to market Technegas™ in the US market will create a step change in the business' financial and operational performance and mark a new phase in the growth of the business.

Cyclopharm has, over several years, been building the team to take advantage of this transformational opportunity. We have gathered some of the best talent in the industry, whether that be through internal appointments or attracting external talent.

The breadth and depth of experience and the integration of complementary skills across the Cyclopharm management team will ensure we can rapidly take advantage of entry into the US market and the opportunities that will flow from our Beyond PE initiatives.

SUMMARY AND OUTLOOK

Cyclopharm's revenue performance proved to be resilient in 2021. Our ability to deliver record revenues despite the global pandemic validates our decision to take control of our distribution arrangements in Europe, creating new revenue streams from 3rd party distribution agreements that will support the Company's financial performance and create value for our shareholders in the years to come.

During 2021, we maintained our focus on securing approval from the USFDA to commence sales of Technegas™ in the US market, while also supporting clinical trials to advance our Beyond PE strategy and delivered solid sales and earnings that support our ability to maintain dividend payments. Revenue from Technegas™ Generator and PAS sales in existing markets is expected to continue to rebound to pre-pandemic levels or beyond in 2022.

Securing approval to sell Technegas™ in the US market remains the most significant near term business opportunity for Cyclopharm. The Company met with the USFDA in late January 2022 to progress the delivery of the final information required prior to a decision on approving Technegas™ for sale in the US being taken. The additional information request from the USFDA does not relate to the demonstrated efficacy and safety of Technegas™.

Managing Director's Report
Continued

Cyclopharm is highly confident the work undertaken and the continuing and significant engagement with the regulator to date, will allow the company to submit the requested information to support the approval process in Q3 2022. Cyclopharm is continuing its preparations for a rapid entry into the US market, including building our inventory and sales capabilities and infrastructure. USFDA approval is expected to be secured within 6 months of submission of the requested additional information.

Cyclopharm is also progressing the Company's Beyond PE strategy with multiple studies underway to demonstrate Technegas'™ potential as diagnostic tools that can be deployed in the treatment of conditions beyond Pulmonary Embolism, in particular Chronic Obstructive Pulmonary Disease (COPD). Cyclopharm's view is our Beyond PE initiatives, which address respiratory disease states other than Pulmonary Embolism, have the potential to significantly expand Technegas'™ revenue and profitability over the medium to longer term in indications valued at US $900 million per annum. In 2021, we invested $0.21 million in progress payments in Beyond PE trials, which follows on from $0.17 million in 2020.

The company's balance sheet is strong, reflecting ongoing operations performance and the completion of a highly successful institutional placement and retail share purchase plan (SPP) in early 2021, that raised $33.0 million. The company will use this new capital to support the rapid USA commercialisation of Technegas™ and to selectively support the Beyond PE strategy designed to allow Cyclopharm to access new larger growth opportunities for Technegas™.

The combination of the Company's resilient financial performance and strong capital position have supported the Board's decision to maintain a consistent dividend policy. In this regard, the final dividend was maintained at 0.5 cents per share (CPS), giving a total dividend for 2021 to 1.0 cps.

We expect 2022 to be another successful and productive year with the completion of the final step to support the USFDA approval process in the second half of the year. Cyclopharm has a strong balance sheet and broad scope of supportive clinical studies underway that mean the Company is well placed to extend its market leadership in lung imaging and drive ongoing growth.

Finally, I thank all my colleagues, the Cyclopharm Board, with a special thanks to my entire global team, who collectively have contributed to the growth of the Company over recent years. On behalf of the Cyclopharm management team, with the ongoing support of the Board, we are absolutely committed to delivering positive health outcomes for our patients and growing financial rewards to our shareholders.

James McBrayer
Managing Director

Consolidated Statement of Profit or Loss And Other Comprehensive Income for the year ended 31 December 2021

UNAUDITED

		Consolidated	
		2021	2020
	Notes	$	$
CONTINUING OPERATIONS			
Sales revenue	5	17,704,574	14,676,157
Finance revenue	5	3,950	4,410
Other revenue	5	2,432,578	3,004,893
Total revenue		**20,141,102**	**17,685,460**
Cost of materials and manufacturing	5a	(5,042,295)	(3,963,469)
Employee benefits expense	5e	(8,848,778)	(7,852,257)
Advertising and promotion expense		(298,143)	(212,876)
Depreciation and amortisation expense	5c	(758,731)	(910,291)
Freight and duty expense		(724,029)	(632,846)
Research and development expense	5d	(1,660,167)	(3,537,517)
Administration expense	5f	(6,806,880)	(5,649,611)
Other expense	5g	(259,636)	(562,843)
Loss before tax and finance costs		**(4,257,557)**	**(5,636,250)**
Finance costs	5b	(89,314)	(207,859)
Loss before income tax		**(4,346,871)**	**(5,844,109)**
Income tax	6	(693,295)	(199,527)
Loss for the year		**(5,040,166)**	**(6,043,636)**
Other comprehensive income after income tax			
Items that will be re-classified subsequently to profit and loss when specific conditions are met:			
Exchange differences on translating foreign controlled entities (net of tax)		(225,440)	(143,856)
Total comprehensive loss for the year		**(5,265,606)**	**(6,187,492)**
Loss per share (cents per share)	7	**cents**	**cents**
-basic loss per share from continuing operations		(5.63)	(7.89)
-basic loss per share		(5.63)	(7.89)
-diluted loss per share		(5.63)	(7.89)

The Consolidated Statement of Profit or Loss And Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

as at 31 December 2021

UNAUDITED

	Notes	Consolidated 2021 $	Consolidated 2020 $
Assets			
Current Assets			
Cash and cash equivalents	8	29,249,255	1,874,285
Trade and other receivables	9	8,040,708	8,837,397
Inventories	10	5,511,375	4,736,017
Current tax asset	6	58,761	233,904
Other assets		392,284	297,366
Total Current Assets		**43,252,383**	**15,978,969**
Non-current Assets			
Property, plant and equipment	11	2,416,648	1,903,129
Right-of-use assets	12	3,829,204	3,911,432
Investments	13	-	-
Intangible assets	14	5,422,263	5,291,899
Deferred tax assets	6	820,406	1,189,696
Total Non-current Assets		**12,488,521**	**12,296,156**
Total Assets		**55,740,904**	**28,275,125**
Liabilities			
Current Liabilities			
Trade and other payables	15	5,907,628	4,400,270
Lease liabilities	16	178,265	148,567
Provisions	17	1,234,259	1,021,395
Tax liabilities	6	98,132	114,053
Total Current Liabilities		**7,418,284**	**5,684,285**
Non-current Liabilities			
Lease liabilities	16	4,331,502	4,557,905
Provisions	17	25,929	23,885
Deferred tax liabilities	6	-	-
Deferred income liabilities	18	897,455	893,200
Total Non-current Liabilities		**5,254,886**	**5,474,990**
Total Liabilities		**12,673,170**	**11,159,275**
Net Assets		**43,067,734**	**17,115,850**
Equity			
Contributed equity	19	62,974,440	31,632,219
Employee equity benefits reserve	27	2,593,561	1,836,973
Foreign currency translation reserve	27	(921,540)	(696,100)
Accumulated losses		(21,578,727)	(15,657,242)
Total Equity		**43,067,734**	**17,115,850**

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

UNAUDITED

	Notes	Consolidated 2021 $	Consolidated 2020 $
Operating activities			
Receipts from customers		21,244,553	14,659,216
Receipt from business venture collaboration		392,483	153,086
Payments to suppliers and employees		(25,910,356)	(23,296,949)
Interest received		3,950	4,410
Borrowing costs paid		(89,314)	(207,859)
Income tax received / (paid)		2,729,274	(246,772)
Net cash flows used in operating activities	8	**(1,629,410)**	**(8,934,868)**
Investing activities			
Payment of deferred consideration on acquisition of subsidiary		-	(343,209)
Purchase of property, plant and equipment		(842,845)	(193,796)
Payments for intangible assets		(318,179)	(337,186)
Net cash flows used in investing activities		**(1,161,024)**	**(874,191)**
Financing activities			
Proceeds from issue of shares		33,000,003	-
Share issue cost (net of tax)		(1,657,782)	-
Settlement of loan for Long Term Incentive Plan Shares		-	56,216
Dividends paid		(881,319)	(752,419)
Payment for lease liabilities		(288,707)	(289,758)
Net cash flows from / (used in) financing activities		**30,172,195**	**(985,961)**
Net increase / (decrease) in cash and cash equivalents		**27,381,761**	**(10,795,020)**
Cash and cash equivalents			
- at beginning of the period		**1,874,285**	**12,660,323**
- net foreign exchange differences from translation of cash and cash equivalents		(6,791)	8,982
- at end of the year	8	**29,249,255**	**1,874,285**

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

UNAUDITED

CONSOLIDATED	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings / (Accumulated Losses) $	Foreign Currency Translation Reserve (Note 28(b)) $	Employee Equity Benefits Reserve (Note 28(a)) $	Total $
Balance at 1 January 2020	**36,909,161**	**(5,333,158)**	**31,576,003**	**(8,861,187)**	**(552,244)**	**1,041,373**	**23,203,945**
Loss for the year	-	-	-	(6,043,636)	-	-	(6,043,636)
Other comprehensive loss	-	-	-	-	(143,856)	-	(143,856)
Total comprehensive loss for the year	**-**	**-**	**-**	**(6,043,636)**	**(143,856)**	**-**	**(6,187,492)**
Payment of loan for Long Term Incentive Plan shares	56,216	-	56,216	-	-	-	56,216
Dividends paid	-	-	-	(752,419)	-	-	(752,419)
Cost of share based payments	-	-	-	-	-	795,600	795,600
Total transactions with owners and other transfers	**56,216**	**-**	**56,216**	**(752,419)**	**-**	**795,600**	**99,397**
Balance at 31 December 2020	**36,965,377**	**(5,333,158)**	**31,632,219**	**(15,657,242)**	**(696,100)**	**1,836,973**	**17,115,850**
Balance at 1 January 2021	**36,965,377**	**(5,333,158)**	**31,632,219**	**(15,657,242)**	**(696,100)**	**1,836,973**	**17,115,850**
Loss for the year	-	-	-	(5,040,166)	-	-	(5,040,166)
Other comprehensive loss	-	-	-	-	(225,440)	-	(225,440)
Total comprehensive loss for the year	**-**	**-**	**-**	**(5,040,166)**	**(225,440)**	**-**	**(5,265,606)**
Issue of shares	33,000,003	-	33,000,003	-	-	-	33,000,003
Share issue cost (net of tax)	(1,657,782)	-	(1,657,782)	-	-	-	(1,657,782)
Dividends paid	-	-	-	(881,319)	-	-	(881,319)
Cost of share based payments	-	-	-	-	-	756,588	756,588
Total transactions with owners and other transfers	**31,342,221**	**-**	**31,342,221**	**(881,319)**	**-**	**756,588**	**31,217,490**
Balance at 31 December 2021	**68,307,598**	**(5,333,158)**	**62,974,440**	**(21,578,727)**	**(921,540)**	**2,593,561**	**43,067,734**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

1. CORPORATE INFORMATION

Cyclopharm Limited is a Company limited by shares incorporated and domiciled in Australia. The shares are publicly traded on the Australian Securities Exchange ("ASX") under the code "CYC".

During the year, the principal continuing activities of the consolidated entity (the "Group") consisted of the manufacture and sale of medical equipment and radiopharmaceuticals, including associated research and development, and distribution of third party products to the diagnostic imaging sector.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

b) New and Amended Accounting Standards and Interpretations adopted by the Group

Consolidated financial statements

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

d) Principles of consolidation

Cyclopharm Limited is the ultimate parent entity ("the Parent") in the wholly owned group. The consolidated financial statements comprise the financial statements of Cyclopharm and its subsidiaries as at 31 December each year ('the Group').

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2021. All subsidiaries have a reporting date of 31 December.

Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Parent has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Adjustments are made to bring into line any dsissimilar accounting policies that may exist.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

For business combinations involving entities under common control, which are outside the scope of *AASB 3 Business Combinations*, the Company applies the purchase method of accounting by the legal parent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translation

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars (AUD $) which is the parent entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items that are measured in terms of historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow hedge or net investment hedge. On disposal of a foreign entity the deferred cumulative amount in equity is recognised in the Statement of Comprehensive Income.

Group companies

The functional currency of the overseas subsidiaries Cyclomedica Ireland Limited, Cyclomedica Germany GmbH, Cyclomedica Europe Limited, and Cyclomedica Benelux bvba, is European Euro (Euro €), Cyclomedica Nordic AB is Swedish Kroner (SEK), Cyclomedica Canada Limited is Canadian dollars (Can $) and Cyclomedica UK Ltd is Great British Pound (GBP).

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the reporting date.
- Income and expenses are translated at the average exchange rates for the period.
- Retained profits/equity are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are recognised in other comprehensive income and are transferred directly to the Group's foreign currency translation reserve in the Statement of Financial Position. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Cyclopharm Limited is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries. The implementation date for the tax consolidated group was 31 May 2006. Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "stand-alone basis without adjusting for intercompany transactions" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current Australian tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group. Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

Cyclopharm Limited recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

g) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment

The carrying amount of plant and equipment is reviewed annually by Directors to consider impairment. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets are depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

	Basis	Method
Plant and equipment	5 - 33%	Straight-line method
Leasehold Improvements	7.5 - 10%	Straight-line method
Motor vehicles	16.67 - 25%	Straight-line method

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Investments Accounted For Using The Equity Method

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired. The carrying amount of the investment also includes loans made to the associate which are not expected to be repaid in the short term.

Profit and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are provided in Note 13.

j) Intangibles

Intangible assets

Intangible assets acquired as part of a business combination other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost.

Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

The gains and losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible assets. The method and useful lives of finite life intangible assets are reviewed annually.

Internally generated intangible assets, excluding development costs, are not capitalised and are recorded as an expense in the Statement of Profit or Loss.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, at each reporting date, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditure on the development of the Technegas Plus and Ultralute generator has been capitalised. Costs will be amortised once the asset development is completed and the asset ready for use. No impairment provision has been deemed appropriate. The Directors are satisfied that the future economic benefits will eventuate to justify the capitalisation of the expenditure incurred. Development expenditure is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

	New Patents and licences	**Technegas Development costs**
Useful lives	Patents - Finite Licenses - Infinite	Finite
Method used	8 - 10 years - Straight line	9 years - Straight line
Impairment test / Recoverable Amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

Research and development costs

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intend to complete the development and its costs can be measured reliably. Development expenditure is measured at cost less any accumulated amortisation and impairment losses. Amortisation is calculated using a straight-line method to allocate the costs over a period during which the related benefits are expected to be realised.

k) Inventories

Inventories are valued at the lower of cost and net realisable value where net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

- Raw materials: purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress: cost of direct materials and labour and an appropriate portion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

l) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 90 days. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, short-term deposits with an original maturity of three months or less and bank overdrafts. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

n) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are normally settled within 30 to 60 days.

o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

p) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result and that an outflow can be reliably measured. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Employee entitlements

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

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow (after applying probability) to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and other types of employee benefits are recognised against profits on a net basis in their respective categories.

s) Employee share and performance share schemes

The fair value of performance rights issued under the Cyclopharm Long Term Incentive Plan are recognised as a personnel expense over the vesting period with a corresponding increase in Employee Equity Benefits Reserve.

The fair value of the implied option attached to shares granted is determined using a pricing model that takes into account factors that include exercise price, the term of the performance option, the vesting and performance criteria, the share price at grant date and the expected price volatility of the underlying share. The fair value calculation excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of performance rights that are expected to become exercisable. The personnel expense recognised each period takes into account the most recent estimate.

Shares issued under employee and executive share plans are held in trust until vesting date. Unvested shares held by the trust are consolidated into the group financial statements.

t) Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Other Revenue
Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Research & Development Tax Incentive
Government grants, including Research and Development incentives, are recognized at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Grants relating to cost reimbursements are recognized as other income in profit or loss in the period when the costs were incurred or when the incentive meets the recognition requirements (if later).

All revenue is stated net of the amount of goods and services tax (“GST”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred is not recoverable from the Australian Taxation Office ("ATO") and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented 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.

w) Financial instruments

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

De-recognition of financial instruments

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group assesses at each Statement of Financial Position date whether a financial asset or group of financial assets is impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Contributed equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Other contributed equity

In accordance with *AASB112 Income Taxes*, additional contributed equity was recorded to recognise the transfer of tax liabilities from Vita Medical Limited to Vita Life Sciences Limited, being the parent of the Australian tax consolidated group at the relevant time. This event occurred prior to Cyclopharm Limited acquiring its interests in the net assets of Vita Medical Limited.

As part of the restructure a subsidiary of Cyclopharm Limited, Vita Medical Australia Pty Ltd acquired all the assets, liabilities and business from Vita Medical Limited, the former group parent.

With effect from 31 May 2006, Cyclopharm Limited also acquired 100% of the other group operating subsidiaries from the ultimate holding company, Vita Life Sciences Limited. Accordingly, the group comprises Cyclopharm Limited and the following wholly owned subsidiaries:

- Cyclomedica Australia Pty Ltd (formerly Vita Medical Australia Pty Ltd)
- Cyclomedica Ireland Ltd (formerly Vitamedica Europe Ltd)
- Cyclomedica Europe Ltd
- Cyclomedica Canada Limited (formerly Vita Medical Canada Ltd)
- Cyclomedica Germany GmbH
- Allrad 28 Pty Ltd (deregistered 16 July 2017)
- Allrad 29 Pty Ltd (deregistered 16 July 2017)

These entities collectively comprise the medical diagnostic equipment and associated consumables business formerly operated as the Vita Medical Group – now known as the Cyclopharm Group. The transaction has been accounted for as a 'reverse acquisition' as defined in *AASB 3 Business Combinations* whereby Cyclopharm Limited is the legal parent and Cyclomedica Australia Pty Limited is the financial parent, which for accounting purposes is deemed to be the acquirer.

The consideration for the minority interests of the controlled entities and costs of acquisition have been charged to other contributed equity in accordance with *AASB 10 Consolidated Financial Statements*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

y) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year. Where there is a change in the number of ordinary shares on issue without a corresponding change in recognised resources during the year, the number of ordinary shares for all periods presented are correspondingly adjusted as if the event had occurred at the beginning of the earliest period presented.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Where there is a change in the number of ordinary shares on issue without a corresponding change in recognised resources during the year, the number of ordinary shares for all periods presented are correspondingly adjusted as if the event had occurred at the beginning of the earliest period presented.

z) Fair Value

The Group subsequently measures some of its assets at fair value on a non-recurring basis. Fair value is the price the Group would receive to sell an asset in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

aa) Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The following are the critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key Estimates

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The Group's property, plant and equipment relating to the Cyclotron facility have been fully impaired, based on management's assessment that the fair value of those assets is nil in the current industry circumstances and the condition of the damaged assets. Extensive damage to the Cyclotron facility caused by substantial water damage in June 2014, delayed any decisions about the future use of the Cyclotron facility until it is restored to its former operational status. In 2019, the Company entered into a Business Venture Collaboration Agreement with Cyclotek Australia Pty Ltd and Pettech, a wholly owned subsidiary of ANSTO. In parallel the Company entered into a Business Sale Transfer agreement for the operations conducted at the Company's Cyclotron facility located at Macquarie University Hospital.

The assumptions used in the estimation of recoverable amount and the carrying amount of intangible assets are discussed in Note 14. No impairment has been recognised in respect of intangible assets at the end of the reporting period.

Useful lives of property, plant and equipment

The estimation of the useful lives of assets has been based on historical experience as well as lease terms and turnover policies. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. Refer to Note 25 for details of the Company's Share Based Payment Plan.

Key Judgements

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of comprehensive income.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the year ended 31 December 2021		
	Technegas	Molecular Imaging	Total
Segments	$	$	$
Type of goods or service			
Sales of equipment and consumables - Technegas	11,591,344	-	11,591,344
Sales of equipment and consumables - third party products	3,773,257	-	3,773,257
Income from business venture collaboration	-	392,483	392,483
After sales services - Technegas	1,621,761	-	1,621,761
After sales services - third party products	325,729	-	325,729
Total revenue from contracts with customers	**17,312,091**	**392,483**	**17,704,574**
Geographical markets			
Asia Pacific	3,237,027	392,483	3,629,510
Europe	11,510,851	-	11,510,851
Canada	2,456,613	-	2,456,613
Other	107,600	-	107,600
Total revenue from contracts with customers	**17,312,091**	**392,483**	**17,704,574**
Timing of revenue recognition			
Goods transferred at a point in time	17,097,962	392,483	17,490,445
Services transferred over time	214,129	-	214,129
Total revenue from contracts with customers	**17,312,091**	**392,483**	**17,704,574**

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	For the year ended 31 December 2020		
	Technegas	Molecular Imaging	Total
Segments	**$**	**$**	**$**
Type of goods or service			
Sales of equipment and consumables - Technegas	11,075,305	-	11,075,305
Sales of equipment and consumables - third party products	2,014,557	-	2,014,557
Income from business venture collaboration	-	153,086	153,086
After sales services - Technegas	1,274,539	-	1,274,539
After sales services - third party products	158,670	-	158,670
Total revenue from contracts with customers	**14,523,071**	**153,086**	**14,676,157**
Geographical markets			
Asia Pacific	2,235,541	153,086	2,388,627
Europe	10,135,320	-	10,135,320
Canada	2,051,757	-	2,051,757
Other	100,453	-	100,453
Total revenue from contracts with customers	**14,523,071**	**153,086**	**14,676,157**
Timing of revenue recognition			
Goods transferred at a point in time	14,333,375	153,086	14,486,461
Services transferred over time	189,696	-	189,696
Total revenue from contracts with customers	**14,523,071**	**153,086**	**14,676,157**

There are no impairment losses on receivables.

4. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of product category as the Group's risks and returns are affected predominantly by differences in the products and services produced. The Group also monitors the performance of the business on a geographical basis.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Technegas™ segment is a supplier of diagnostic equipment and consumables used by physicians in the detection of pulmonary embolism and a distributor of third party products to the diagnostic imaging sector.

The Molecular Imaging segment will produce radiopharmaceuticals to be used by physicians in the detection of cancer, neurological disorders and cardiac disease.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Business segments
The tables under the heading business segments present revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2021 and 31 December 2020.

Geographical segments
The tables under the heading geographical segment present revenue and asset information regarding geographical segments for the years ended 31 December 2021 and 31 December 2020.

4. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2021	Technegas $	Consolidated Molecular Imaging $	Total $
Revenue			
Sales - Technegas	13,213,106	-	13,213,106
Income from business venture collaboration	-	392,483	392,483
Sales - third party products	4,098,985	-	4,098,985
Sales to external customers	17,312,091	392,483	17,704,574
Finance revenue	3,624	326	3,950
Other revenue	2,432,578	-	2,432,578
Total revenue	**19,748,293**	**392,809**	**20,141,102**
Result			
(Loss) / profit before tax and finance costs	**(4,565,182)**	**307,625**	**(4,257,557)**
Finance costs	(86,395)	(2,919)	(89,314)
(Loss) / profit before income tax	**(4,651,577)**	**304,706**	**(4,346,871)**
Income tax	(237,237)	(456,058)	(693,295)
Loss after income tax	**(4,888,814)**	**(151,352)**	**(5,040,166)**
Assets and liabilities			
Segment assets	54,549,989	1,190,915	55,740,904
Segment asset increases for the period :			
- capital expenditure	940,233	-	940,233
Segment liabilities	(12,567,046)	(106,124)	(12,673,170)
Other segment information			
Depreciation and amortisation	(758,731)	-	(758,731)

4. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2020	Technegas $	Consolidated Molecular Imaging $	Total $
Revenue			
Sales - Technegas	12,349,844	-	12,349,844
Income from business venture collaboration	-	153,086	153,086
Sales - third party products	2,173,227	-	2,173,227
Sales to external customers	14,523,071	153,086	14,676,157
Finance revenue	3,407	1,003	4,410
Other revenue	3,004,893	-	3,004,893
Total revenue	**17,531,371**	**154,089**	**17,685,460**
Result			
Profit/(loss) before tax and finance costs	**(5,777,936)**	**141,686**	**(5,636,250)**
Finance costs	(205,341)	(2,518)	(207,859)
Profit/(loss) before income tax	**(5,983,277)**	**139,168**	**(5,844,109)**
Income tax expense	(70,490)	(129,037)	(199,527)
Profit/(loss) after income tax	**(6,053,767)**	**10,131**	**(6,043,636)**
Assets and liabilities			
Segment assets	27,103,927	1,171,198	28,275,125
Segment asset increases for the period :			
- capital expenditure	316,214	-	316,214
Segment liabilities	(11,122,986)	(36,289)	(11,159,275)
Other segment information			
Depreciation and amortisation	(910,291)	-	(910,291)

4. SEGMENT REPORTING (continued)

Geographical Segments

	Consolidated				
For the year ended	**Asia Pacific**	**Europe**	**Canada**	**Other**	**Total**
31 December 2021	**$**	**$**	**$**	**$**	**$**
Revenue					
Sales to external customers	3,629,510	11,510,851	2,456,613	107,600	17,704,574
Finance revenue	2,794	1,156	-	-	3,950
Other revenue	2,291,383	141,195	-	-	2,432,578
Total segment revenue	**5,923,687**	**11,653,202**	**2,456,613**	**107,600**	**20,141,102**
Assets					
Segment assets	46,467,809	8,745,806	527,289	-	55,740,904

	Consolidated				
For the year ended	**Asia Pacific**	**Europe**	**Canada**	**Other**	**Total**
31 December 2020	**$**	**$**	**$**	**$**	**$**
Revenue					
Sales to external customers	2,388,627	10,135,320	2,051,757	100,453	14,676,157
Finance revenue	4,055	355	-	-	4,410
Other revenue	3,004,893	-	-	-	3,004,893
Total segment revenue	**5,397,575**	**10,135,675**	**2,051,757**	**100,453**	**17,685,460**
Assets					
Segment assets	18,569,675	8,442,980	1,127,708	-	28,140,363

5. REVENUES AND EXPENSES

	Notes	Consolidated 2021 $	Consolidated 2020 $
Revenue			
Sales revenue		17,312,091	14,523,071
Income from business venture collaboration		392,483	153,086
Total revenue		17,704,574	14,676,157
Finance revenue - Interest received from other parties		3,950	4,410
Other Revenue			
Insurance recoveries		141,195	-
R&D Tax incentive refund		2,291,383	3,004,893
Total other revenue		2,432,578	3,004,893
(Note 3 discloses the disaggregation of the Group's revenue from contracts with customers)			
Expenses			
a) Cost of materials and manufacturing			
Cost of materials and manufacturing		5,042,295	3,963,469
b) Finance costs			
Interest paid on loans from external parties		16,515	18,215
Interest on leased assets (AASB 16)		72,799	189,644
Total finance costs		**89,314**	**207,859**
c) Depreciation and amortisation			
Depreciation of plant and equipment		161,276	143,522
Depreciation of leasehold improvements		168,050	340,417
Depreciation of leased assets (AASB 16)		288,707	289,758
Amortisation of intangibles		140,698	136,594
		758,731	910,291
d) Research & development expense			
FDA expenses		1,303,372	3,311,715
Pilot Clinical Trial expenses		214,893	173,851
Research expenses		141,902	51,951
		1,660,167	3,537,517
e) Employee benefits expense			
Salaries and wages		7,395,884	6,397,977
Defined contribution superannuation expense		548,200	529,150
Non-Executive Director fees		148,106	129,530
Share-based payments expense	25a	756,588	795,600
		8,848,778	7,852,257
f) Administration expense			
Legal and professional costs		4,868,162	3,567,193
Office and facility costs		1,453,745	1,617,731
Reversal of doubtful debts		(5,427)	(5,601)
Travel and motor vehicle costs		490,400	470,288
		6,806,880	5,649,611
g) Other expense			
Realised Foreign exchange (gains) / losses		(26,377)	43,786
Unrealised Foreign exchange (gains) / losses		(232,134)	609,085
Recoveries from litigation		-	(2,969)
Jobkeeper grant		-	(491,500)
Other		518,147	404,441
		259,636	562,843

6. INCOME TAX

	2021 $	2020 $
The components of income tax expense comprise:		
Current income tax expense	(324,005)	(173,128)
Deferred tax expense	(369,290)	(26,399)
	(693,295)	**(199,527)**
A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:		
Accounting loss before income tax	**(4,346,871)**	**(5,844,109)**
Statutory income tax rate of 26% (2020: 27.5%)	1,674,705	1,215,570
Effects of lower rates on overseas income	232,616	168,208
Expenditure not allowable for income tax purposes	(1,221,402)	(1,627,043)
Non-assessable income	595,760	826,346
Temporary differences recognised (reversed) in Australian group	(369,290)	(26,399)
Tax losses not recognised in Australia	(1,605,684)	(756,209)
Total income tax expense	**(693,295)**	**(199,527)**
Effective income tax rate	15.9%	3.4%
Current income tax asset	**58,761**	**233,904**
Current income tax liability	**98,132**	**114,053**
Deferred tax relating to capital raising costs, credited directly to equity	**-**	**-**
Deferred tax assets		
Deferred tax assets from temporary differences on:		
Investments	(1,228,684)	(667,429)
Provisions and accruals	1,460,084	1,517,795
Other	589,006	339,330
Total deferred tax assets	**820,406**	**1,189,696**
Movements in deferred tax assets		
Opening balance	1,189,696	1,493,663
Temporary differences brought to account (reversed)	(369,290)	(303,967)
Closing balance	**820,406**	**1,189,696**
Deferred tax assets for which no benefit has been recognised:		
- arising from temporary differences - at 25% (2020 - 26%)	582,288	636,836
- arising from revenue tax losses - at 25% (2020 - 26%)	2,581,039	1,078,595
- arising from capital tax losses - at 25% (2020 - 26%)	19,715	20,503

7. NET TANGIBLE ASSETS AND EARNINGS PER SHARE

Net Tangible Assets per share

	Consolidated	
	2021	2020
	$	$
Net assets per share	0.46	0.21
Net tangible assets per share	0.40	0.15
	Number	Number
Number of ordinary shares for net assets per share	93,374,823	80,274,455
	2021	2020
	$	$
Net assets	43,067,734	17,115,850
Less: Intangible assets	(5,422,263)	(5,291,899)
Net tangible assets	37,645,471	11,823,951

The number of ordinary shares includes the effects of 408,059 Long Term Incentive Performance ('LTIP') shares issued on 19 February 2021 (2020: 1,045,000 Long Term Incentive Performance ('LTIP') shares issued on 4 May 2020 and 757,750 LTIP shares issued on 24 July 2020) and excludes 24,443 expired LTIP shares cancelled on 5 May 2020 as set out in Note 19. The net assets includes both right-of-use assets and lease liabilities accounted for in accordance with AASB 16 Leases.

Loss per share

	Consolidated	
	2021	2020
	cents	cents
Basic loss per share for continuing operations	(5.63)	(7.89)
Basic loss per share	(5.63)	(7.89)
Diluted loss per share	(5.63)	(7.89)
	Number	Number
Weighted average number of ordinary shares for basic loss per share	89,570,861	76,590,677
Weighted average number of ordinary shares for diluted loss per share	89,570,861	76,590,677
	2021	2020
	$	$
Loss used to calculate basic earnings per share	(5,040,166)	(6,043,636)
Loss used to calculate diluted earnings per share	(5,040,166)	(6,043,636)

The weighted average number of ordinary shares for basic loss per share excludes the effects of 408,059 LTIP shares issued on 19 February 2021, 1,045,000 LTIP shares issued on 4 May 2020, 757,750 LTIP shares issued on 24 July 2020, 269,614 LTIP shares issued on 11 December 2019, 200,000 LTIP shares issued on 30 May 2019 and 500,000 LTIP shares issued on 2 July 2018 set out in Note 19 as they are contingently returnable.

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2021	2020
	$	$
Cash at bank and in hand	29,249,255	1,874,285
Total cash and cash equivalents	**29,249,255**	**1,874,285**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

The fair value of cash equivalents is $29,249,255 (2020: $1,874,285).

Reconciliation of Statement of Cash Flows	2021	2020
	$	$
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	29,249,255	1,874,285
	29,249,255	**1,874,285**
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss after tax	**(5,040,166)**	**(6,043,636)**
Adjustments for non-cash income and expense items:		
Depreciation	618,033	773,697
Amortisation	140,698	136,594
Movement provision for employee benefits	214,908	370,003
Movement in foreign exchange	(218,649)	(152,838)
Movement in employee benefits reserve	756,588	795,600
Movement in other provisions	(5,427)	(5,601)
	(3,534,015)	**(4,126,181)**
Increase/decrease in assets and liabilities:		
Decrease / (Increase) in receivables	685,026	(1,783,104)
Increase in inventories	(775,358)	(2,240,574)
Decrease / (Increase) in other receivables	16,745	(3,122,390)
Decrease / (Increase) in current tax asset	175,143	(8,319)
Decrease in deferred tax assets	369,290	303,967
Increase in creditors	1,445,425	2,128,848
(Decrease) / Increase in current tax liabilities	(15,921)	91,121
Decrease in deferred tax liabilities	-	(277,568)
Increase in deferred income liability	4,255	99,332
Net cash flow used in operating activities	**(1,629,410)**	**(8,934,868)**

8. CASH AND CASH EQUIVALENTS (continued)

(b) Non-cash financing and investing activities

All Long Term Incentive Plan (LTIP) shares as set out in Note 25 Share Based Payment Plans are issued by way of loans.

During 2020, 225,000 LTIP shares vested and an election was made to extend the exercise period for up to 5 years, whilst 24,443 LTIP shares lapsed and were cancelled. Refer to Note 19 Contributed Equity and Note 25 Share Based Payment Plans.

The following LTIP shares were issued by way of loans:

- 408,059 LTIP shares issued on 19 February 2021 (2020: 1,045,000 LTIP shares issued on 4 May 2020 and 757,750 LTIP shares issued on 24 July 2020).

9. TRADE AND OTHER RECEIVABLES

		Consolidated	
	Notes	2021 $	2020 $
Current			
Trade receivables, third parties		4,774,505	5,453,528
Allowance for expected credit loss		(110,415)	(104,412)
Net Trade receivables, third parties	(i)	4,664,090	5,349,116
Other receivables	(ii), (iii)	3,376,618	3,488,281
Total Current trade and other receivables		**8,040,708**	**8,837,397**
Total trade and other receivables		**8,040,708**	**8,837,397**

Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Trade receivables are non-interest bearing and generally on 30 and 60-day terms.

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

(iii) Other receivables include accrued R&D Tax Incentive of $2,295,638 (2020: $3,104,225) which was received in January 2022 (2020: February 2021).

(iv) Related party details are set out in the Note 22 Related Party Disclosures.

10. INVENTORIES

	Notes	Consolidated 2021 $	Consolidated 2020 $
Current			
Raw materials at cost		3,870,499	2,938,687
Finished goods at lower of cost or net realisable value		1,692,090	1,840,807
Provision for obsolescence		(51,214)	(43,477)
Total inventory		**5,511,375**	**4,736,017**

11. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2021 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2021						
at written down value	289,866	1,001,216	520,326	-	91,721	1,903,129
Additions / Transfers	40,960	454,272	341,946	-	5,667	842,845
Depreciation for the year	(10,071)	(168,050)	(151,205)	-	-	(329,326)
31 December 2021						
at written down value	**320,755**	**1,287,438**	**711,067**	**-**	**97,388**	**2,416,648**
1 January 2021						
Cost value	2,394,333	4,871,944	8,672,821	120,901	91,721	16,151,720
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(222,507)	(1,261,816)	(3,783,204)	(120,901)	-	(5,388,428)
Net carrying amount	**289,866**	**1,001,216**	**520,326**	**-**	**91,721**	**1,903,129**
31 December 2021						
Cost value	2,435,293	5,326,216	9,014,767	120,901	97,388	16,994,565
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(232,578)	(1,429,866)	(3,934,409)	(120,901)	-	(5,717,754)
Net carrying amount	**320,755**	**1,287,438**	**711,067**	**-**	**97,388**	**2,416,648**

* Impairment arising from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014. A collaboration agreement was signed in 2019 between the Group, Cyclotek (Aust) Pty Ltd and the Australian Nuclear Science and Technology Organisation whereby Cyclotek NSW Pty Ltd, a wholly owned subsidiary of Cyclotek (Aust) Pty Ltd, will leverage the cyclotron facility to manufacture new PET diagnostics and undertake research and development activities. However, extensive damage to the cyclotron facility was caused by substantial water damage in June 2014. Restoration to its former operational status has been delayed due to the COVID-19 pandemic. Accordingly, the suspended cyclotron business is not considered to be a discontinued operation pending completion of the restoration. The Group initially recognises and measures its Land and Buildings, Plant and Equipment and Leasehold Improvements at cost. The Group subsequently measures some of its Buildings, Plant and Equipment and its Leasehold Improvements at fair value on a non-recurring basis in accordance with AASB 136: Impairment of Assets. Refer Note 2 (aa).

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2020 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2020						
at written down value	299,655	1,288,500	411,038	-	71,661	2,070,854
Additions / Transfers	724	53,133	242,297	-	20,060	316,214
Depreciation for the year	(10,513)	(340,417)	(133,009)	-	-	(483,939)
31 December 2020						
at written down value	**289,866**	**1,001,216**	**520,326**	**-**	**91,721**	**1,903,129**
1 January 2020						
Cost value	2,393,609	4,818,811	8,430,524	120,901	71,661	15,835,506
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(211,994)	(921,399)	(3,650,195)	(120,901)	-	(4,904,489)
Net carrying amount	**299,655**	**1,288,500**	**411,038**	**-**	**71,661**	**2,070,854**
31 December 2020						
Cost value	2,394,333	4,871,944	8,672,821	120,901	91,721	16,151,720
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(222,507)	(1,261,816)	(3,783,204)	(120,901)	-	(5,388,428)
Net carrying amount	**289,866**	**1,001,216**	**520,326**	**-**	**91,721**	**1,903,129**

* Impairment arising from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014. A collaboration agreement was signed in 2019 between the Group, Cyclotek (Aust) Pty Ltd and the Australian Nuclear Science and Technology Organisation whereby Cyclotek NSW Pty Ltd, a wholly owned subsidiary of Cyclotek (Aust) Pty Ltd, will leverage the cyclotron facility to manufacture new PET diagnostics and undertake research and development activities. However, extensive damage to the cyclotron facility was caused by substantial water damage in June 2014. Restoration to its former operational status has been delayed due to the COVID-19 pandemic. Accordingly, the suspended cyclotron business is not considered to be a discontinued operation pending completion of the restoration. The Group initially recognises and measures its Land and Buildings, Plant and Equipment and Leasehold Improvements at cost. The Group subsequently measures some of its Buildings, Plant and Equipment and its Leasehold Improvements at fair value on a non-recurring basis in accordance with AASB 136: Impairment of Assets. Refer Note 2 (aa).

Fair Value Measurement

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into, as follows:

- Level 1: Measurements based on quoted prices in active markets for identical assets that the entity can access at the measurement date.
- Level 2: Measurements based on inputs other than the quoted prices included in Level 1, but that are observable for the asset, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability.

Cyclopharm's management considers that the inputs used for the fair value measurement are Level 2 inputs.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation techniques

AASB 13 requires the valuation technique used to be consistent with one of the following valuation approaches:

- Market approach: techniques that use prices and other information generated by market transactions for identical or similar assets.
- Income approach: techniques that convert future cash flows or income and expenses into a single discounted present value.
- Cost approach: techniques that reflect the current replacement cost of an asset at its current service capacity.

The Cyclopharm Board decided to cease commercial production at its Cyclotron facility at the end of April 2014 due to the impact on the Group's profits of the government-owned competition. In making that decision, the Board valued the Cyclotron facility, comprised of buildings, leasehold improvements and plant and equipment at a fair value of nil, using the market approach and income approach techniques. The market technique predominantly used recent observable market data for similar new equipment in Australia, adjusted for loss in value caused by physical deterioration, functional obsolescence, economic obsolescence and the industry specific aspects affecting this highly specialised asset i.e. the government-owned competition which had rendered further participation in the molecular imaging industry uneconomic and its future use uncertain. The same industry specific factors were applied to the income approach technique. Both techniques resulted in a fair value of nil being recognised for the Cyclotron facility as at 31 December 2014. Cyclopharm considers that the same conditions still apply at 31 December 2021 as the Cyclotron facility, although now repaired and largely restored, has not been fully restored to its former functionality as intended, after substantial water damage in June 2014. Accordingly, Cyclopharm has concluded that the fair value of the Cyclotron remains at nil as at 31 December 2021.

Inputs used in the market approach technique to measure Level 2 fair values were:

- current replacement cost of the property being appraised less the loss in value caused by physical deterioration, functional obsolescence and economic obsolescence, and industry specific factors set out above.
- historical cost and relevant market data and industry expertise.
- sales comparison for assets where available.

The assessments of the physical condition, functional obsolescence and economic obsolescence are considered Level 3 inputs.

Non-Recurring fair value measurements:

	Level 2 2021 $	Level 2 2020 $
Buildings	-	-
Plant and equipment	-	-
Leasehold improvements	-	-
Total non-financial assets recognised at fair value	-	-

The highest and best use of the assets in normal circumstances is the value in continued use, using the income approach technique. However, in the current unusual circumstances as set out above, the fair value using this approach is nil.

12. RIGHT-OF-USE ASSETS

	Consolidated	
	2021	2020
	$	$
Land and buildings - right-of-use	5,195,492	5,196,359
Less: Accumulated depreciation	(1,538,421)	(1,309,943)
	3,657,071	**3,886,416**
Motor vehicle - right-of-use	287,747	151,046
Less: Accumulated depreciation	(115,614)	(126,030)
	172,133	**25,016**
Total right-of-use assets	**3,829,204**	**3,911,432**

The Group leases land and buildings for its offices, manufacturing facilities and warehouse under agreements of between two to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are negotiated. The Group also leases plant and equipment under agreements of four years.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		Consolidated	
		2021	2020
Equity accounted investments	**Notes**	**$**	**$**
Associated companies	(a)	-	-

Name	**Principal Activities**	**Principal place of business**	**Measurement Method**	**Ownership Interest**	
				2021	**2020**
Macquarie Medical Imaging Pty Ltd	Imaging centre	Sydney, Australia	Equity method	20%	20%

Macquarie Medical Imaging Pty Ltd ("MMI") is a private entity that provided medical imaging facilities for Macquarie University Hospital. From 7 December 2019, the business operations of MMI have been transferred to MQ Health, an entity associated with Macquarie University Hospital.

		Consolidated	
		2021	2020
Extract from the associate's statement of financial position:	**Notes**	**$**	**$**
Current Assets		4,058,487	4,130,592
Current Liabilities		(17,495,145)	(17,533,962)
Net Liabilities		(13,436,658)	(13,403,370)
Share of associate's Net Liabilities	(a)	(2,687,332)	(2,680,674)

		Consolidated	
		2021	2020
Extract from the associate's statement of comprehensive income:	**Notes**	**$**	**$**
Revenue		-	131,905
Net Loss	(a)	(33,289)	(804,347)

(a) The share of the associate's loss not recognised during the year was $6,657 (2020: loss of $160,869) and the cumulative share of the associate's loss not recognised as at 31 December 2021 was $2,732,718 (31 December 2020: $2,726,061).

The share of loss of associate not recognised as at 31 December 2021 is extracted from the unaudited financial report of the associate, and it may be revised when that financial report has been audited.

The fair value of the Group's investment in Macquarie Medical Imaging Pty Ltd was $nil (2020: $nil). It is anticipated that MMI will be de-registered upon the finalisation of its accounts payable and receivables.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Contingent liabilities

(b) In December 2019, a business venture collaboration agreement combined CycloPet Pty Ltd and Pettech Solutions Limited's cyclotron facilities under a single operating enterprise known as Cyclotek NSW Pty Limited (Cyclotek NSW). Cyclopharm and Cyclotek NSW have entered into a sub-lease agreement as tenants in common whereby Cyclotek NSW is solely responsible for the tenant's obligations except for make good obligations until such time as it exercises the right to transfer its interest as tenant in common to Cyclopharm. Being a tenant in common, Cyclopharm's contingent liabilities as at 31 December 2021 amounts to $3,366,657 (2020: $3,366,657) if Cyclotek NSW is unable to fulfil its obligations as tenant. The amount comprises payments under a sub-lease agreement commencing 1 January 2020 until the expiry of two options to renew expiring on 31 December 2039 with a rent-free period until 31 December 2022.

There were no other contingent liabilities as at the date of this report (2020: $nil).

14. INTANGIBLE ASSETS

Consolidated	Intellectual Property $	Goodwill on consolidation* $	Licences $	Technegas Development $	Target $	Ultralute $	Total $
Balance at							
1 January 2021	413,244	865,273	577,883	788,588	27,419	2,619,492	5,291,899
Additions	93,581	-	-	-	-	177,481	271,062
Amortisation	(55,482)	-	(85,216)	-	-	-	(140,698)
Balance at							
31 December 2021	**451,343**	**865,273**	**492,667**	**788,588**	**27,419**	**2,796,973**	**5,422,263**
31 December 2021							
Non-Current	451,343	865,273	492,667	788,588	27,419	2,796,973	5,422,263
Total	**451,343**	**865,273**	**492,667**	**788,588**	**27,419**	**2,796,973**	**5,422,263**
31 December 2020							
Non-Current	413,244	865,273	577,883	788,588	27,419	2,619,492	5,291,899
Total	**413,244**	**865,273**	**577,883**	**788,588**	**27,419**	**2,619,492**	**5,291,899**

* Goodwill on consolidation arising upon the acquisition of Cyclomedica Benelux bvba on 1 October 2017 and Cyclomedica Nordic AB on 1 May 2018.

15. TRADE AND OTHER PAYABLES

		Consolidated	
		2021	2020
	Notes	$	$
Current			
Trade payables, third parties	(i)	2,174,047	3,296,913
Other payables and accruals	(ii)	1,521,898	1,103,357
Deposits from customers		2,211,683	-
Total current trade and other payables		**5,907,628**	**4,400,270**
Total trade and other payables		**5,907,628**	**4,400,270**

Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

(ii) Other payables and accruals are non-interest bearing and have an average term of 4 months.

(iii) Related party details are set out in the Note 22 Related Party Disclosures.

16. LEASE LIABILITIES

	Consolidated	
	2021	2020
	$	$
Current		
Lease liabilities	178,265	148,567
Lease liabilities (current)	**178,265**	**148,567**
Non-current		
Lease liabilities	4,331,502	4,557,905
Lease liabilities (non-current)	**4,331,502**	**4,557,905**
Total Lease liabilities	**4,509,767**	**4,706,472**

17. PROVISIONS

	Consolidated	
	Employee Entitlements	Total
	$	$
Balance at 1 January 2021	**1,045,280**	**1,045,280**
Arising during the year	432,589	432,589
Utilised	(217,681)	(217,681)
Balance at 31 December 2021	**1,260,188**	**1,260,188**
31 December 2021		
Current	1,234,259	1,234,259
Non-Current	25,929	25,929
Total	**1,260,188**	**1,260,188**
Number of employees		
Number of employees at year end	53	
31 December 2020		
Current	1,021,395	1,021,395
Non-Current	23,885	23,885
Total	**1,045,280**	**1,045,280**
Number of employees		
Number of employees at year end	48	

18. DEFERRED INCOME LIABILITIES

	Consolidated	
	2021	2020
	$	$
Deferred income liabilities	**897,455**	**893,200**

A portion of the Research & Development Grant refund received during the year has been recognised as deferred income liabilities and will be amortised over the same period as the amortisation of the related intangible development asset.

Notes
Continued

19. CONTRIBUTED EQUITY

		Consolidated			
	Notes	2021 Number	2020 Number	2021 $	2020 $
Issued and paid up capital					
Ordinary shares	(a)	93,374,823	80,274,455	68,307,598	36,965,377
Other contributed equity	(b)	-	-	(5,333,158)	(5,333,158)
Total issued and paid up capital		**93,374,823**	**80,274,455**	**62,974,440**	**31,632,219**
(a) Ordinary shares					
Balance at the beginning of the period		80,274,455	78,238,398	36,965,377	36,909,161
Issue of Long Term Incentive Plan shares	(i)	408,059	1,802,750	-	-
Issue of shares to Managing Director	(ii)	-	257,750	-	-
Issue of shares	(iii)	12,692,309	-	33,000,003	-
Share issue cost (net of tax)		-	-	(1,657,782)	-
Cancellation of expired Long Term Incentive Plan shares	(iv)	-	(24,443)	-	-
Settlement of loan for Long Term Incentive Plan shares	(v)	-	-	-	56,216
Balance at end of period		**93,374,823**	**80,274,455**	**68,307,598**	**36,965,377**
(b) Other contributed equity					
Balance at the beginning and end of the period		**-**	**-**	**(5,333,158)**	**(5,333,158)**

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.

(i) On 19 February 2021, 408,059 LTIP shares were issued at an exercise price of $3.20 per share under the non-recourse loan payment plan, 1,045,000 LTIP shares were issued on 4 May 2020 and 757,750 LTIP shares were issued on 24 July 2020 as set out in Note 25.

(ii) On 24 July 2020, the Company issued 257,750 ordinary shares to the Managing Director for nil consideration as approved by shareholders on 9 July 2020 and 21 May 2019.

(iii) On 1 February 2021, 11,538,462 ordinary shares were issued at a price of $2.60 per new share in connection with an institutional share placement and on 19 February 2021, 1,153,847 ordinary shares were issued at a price of $2.60 per new share in connection with a share purchase plan to eligible shareholders.

(iv) 24,443 expired LTIP shares were cancelled on 5 May 2020.

(v) Proceeds from settlement of loan to acquire LTIP shares.

19. CONTRIBUTED EQUITY (continued)

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management constantly assesses the capital structure to take advantage of favourable costs of capital and/or high returns on assets. As the market is continually changing, management may issue dividends to shareholders, issue new shares, increase the entity's short or long term borrowings or sell assets to reduce borrowings.

As at 31 December 2021, the Group has no interest bearing loans and borrowings.

		Consolidated	
		2021	2020
	Notes	$	$
Total interest bearing loans and borrowings		-	-
Less: cash and cash equivalents	8	(29,249,255)	(1,874,285)
Net cash		**(29,249,255)**	**(1,874,285)**
Total equity		43,067,734	17,115,850
Gearing ratio		0.0%	0.0%

Dividends

During the current financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2021 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2020. During the 2020 financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2020 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2019.

The final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2021 has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2021.

	Consolidated			
	2021	2020	2021	2020
	Cents per share	Cents per share	$	$
Fully paid ordinary shares				
Final dividend in respect of the previous financial year				
- No franking credits attached	0.50	0.50	440,659	375,566
Interim dividend in respect of the current financial year				
- No franking credits attached	0.50	0.50	440,660	376,853
	1.00	**1.00**	**881,319**	**752,419**

20. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's principal financial instruments comprise receivables, payables, bank loans, cash and short-term deposits. The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analysis and monitoring of specified credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit and Risk Management Committee under the authority from the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

(a) Interest rate risk

As the Group has moved into a no debt, strong cash position, the main interest rate risk is now in cash assets exposure.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the Statement of Financial Position date.

At 31 December 2021, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit would have been affected as follows:

	Consolidated	
	2021	2020
	$	$
Judgements of reasonably possible movements:		
Loss before income tax		
+1.0% (100 basis points)	292,493	18,743
-0.5% (50 basis points)	(146,246)	(9,371)

The movements in profit are due to possible higher or lower interest income from cash balances.

Notes
Continued

20. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

(a) Interest rate risk (continued)

Consolidated Year ended 31 December 2021		Weighted average interest rate %	Non interest bearing	Floating interest rate	Fixed interest maturing in			Total
					1 year or less	1 to 5 years	More than 5 years	
			$	$	$	$	$	$
FINANCIAL ASSETS								
Cash and cash equivalents	8	0.03%	-	29,249,255	-	-	-	29,249,255
Trade and other receivables	9	n/a	8,040,708	-	-	-	-	8,040,708
Total financial assets			**8,040,708**	**29,249,255**	**-**	**-**	**-**	**37,289,963**
FINANCIAL LIABILITIES								
Trade payables, third parties	15	n/a	5,907,628	-	-	-	-	5,907,628
Leases, third party	16	4.50%	-	-	178,265	812,760	3,518,742	4,509,767
Total financial liabilities			**5,907,628**	**-**	**178,265**	**812,760**	**3,518,742**	**10,417,395**
Net exposure			**2,133,080**	**29,249,255**	**(178,265)**	**(812,760)**	**(3,518,742)**	**26,872,568**

Consolidated Year ended 31 December 2020		Weighted average interest rate %	Non interest bearing	Floating interest rate	Fixed interest maturing in			Total
					1 year or less	1 to 5 years	More than 5 years	
			$	$	$	$	$	$
FINANCIAL ASSETS								
Cash and cash equivalents	8	0.08%	-	1,874,285	-	-	-	1,874,285
Trade and other receivables	9	n/a	8,837,397	-	-	-	-	8,837,397
Total financial assets			**8,837,397**	**1,874,285**	**-**	**-**	**-**	**10,711,682**
FINANCIAL LIABILITIES								
Trade payables, third parties	15	n/a	4,400,270	-	-	-	-	4,400,270
Leases, third party	16	4.50%	-	-	148,567	711,863	3,846,042	4,706,472
Total financial liabilities			**4,400,270**	**-**	**148,567**	**711,863**	**3,846,042**	**9,106,742**
Net exposure			**4,437,127**	**1,874,285**	**(148,567)**	**(711,863)**	**(3,846,042)**	**1,604,940**

20. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to scrutinise the counterparty's trade and other receivables. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures such as reviewing their industry reputation, financial position and credit rating. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is constantly managed.

There are no significant unprovided concentrations of credit risk within the Group.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group has no borrowings as at 31 December 2021.

Refer to the table above with the heading 20 (a) Interest Rate Risk, which reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as investments in working capital e.g. inventories and trade receivables and investment in property, plant and equipment. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Board and management monitor the Group's expected settlement of financial assets and liabilities on an ongoing basis.

The Group monitors the rolling forecast of liquidity reserves based on expected cash flow.

Consolidated Year ended		Less than 6 months	6 months to 1 year	1 year to 5 years	Greater than 5 years	Total
31 December 2021	**Note**	**$**	**$**	**$**	**$**	**$**
Trade payables, third parties	15	5,907,628	-	-	-	5,907,628
Leases, third party	16	88,188	90,077	812,760	3,518,742	4,509,767
		5,995,816	90,077	812,760	3,518,742	10,417,395
31 December 2020						
Trade payables, third parties	15	4,400,270	-	-	-	4,400,270
Leases, third party	16	79,797	68,770	711,863	3,846,042	4,706,472
		4,480,067	68,770	711,863	3,846,042	9,106,742

(d) Commodity price risk

The Group's exposure to commodity price risk is minimal.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk

As a result of significant investment operations in Europe, the Group's Statement of Financial Position can be affected significantly by movements in the EURO / A$ exchange rates. The Group does not hedge this exposure.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 79% (2020: 83%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 53% (2020: 56%) of costs are denominated in the unit's functional currency.

At 31 December 2021, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated	
	2021	**2020**
	$	**$**
United States dollars		
Amounts payable	237,136	694,078
Amounts receivable	-	-
Euros		
Amounts payable	147,022	3,811,291
Amounts receivable	1,909,390	3,444,878
Canadian dollars		
Amounts payable	80,011	48,144
Amounts receivable	237,393	569,256
Swedish Kroners		
Amounts payable	355,769	5,757
Amounts receivable	923,908	922,566
Japanese Yen		
Amounts payable	10,104	10,648
Amounts receivable	5,771	-
Great British Pound		
Amounts payable	8,054	-
Amounts receivable	244,716	-
Net exposure	**(2,483,082)**	**(366,782)**

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk (continued)

Forward Exchange Contracts

The Company has not entered into foreign exchange forward contracts as at 31 December 2021.

Fair values

All of the Group's financial instruments recognised in the Statement of Financial Position have been assessed at their fair values.

Foreign currency sensitivity

Currency risk is measured using sensitivity analysis. A portion of Cyclopharm's receivables and payables are exposed to movements in the values of those currencies relative to the Australian dollar. Cyclopharm management have determined that it is not cost effective to hedge against foreign currency fluctuations.

Cyclopharm is most exposed to European Euro (Euro), Canadian Dollar (CAD), US Dollar (USD), Swedish Kroner (SEK) and Great Britisih Pound (GBP) movements. The following table details Cyclopharm's sensitivity to a 10% change in the Australian dollar against those respective currencies with all other variables held constant as at reporting date for unhedged foreign exposure risk. A positive number indicates an increase in net profit/equity.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk (continued)

A sensitivity has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historic basis and market expectation for future movement.

	Consolidated	
	Increase in AUD of 10% $	Decrease in AUD of 10% $
Euro		
31 December 2021		
Net (loss) / profit	(130,113)	143,125
Equity (decrease) / increase	(130,113)	143,125
31 December 2020		
Net profit / (loss)	74,164	(81,580)
Equity increase / (decrease)	74,164	(81,580)
CAD		
31 December 2021		
Net (loss) / profit	(14,307)	15,738
Equity (decrease) / increase	(14,307)	15,738
31 December 2020		
Net (loss) / profit	(47,374)	52,111
Equity (decrease) / increase	(47,374)	52,111
USD		
31 December 2021		
Net profit / (loss)	21,558	(23,714)
Equity increase / (decrease)	21,558	(23,714)
31 December 2020		
Net profit / (loss)	63,098	(69,408)
Equity increase / (decrease)	63,098	(69,408)
SEK		
31 December 2021		
Net (loss) / profit	(51,649)	56,814
Equity (decrease) / increase	(51,649)	56,814
31 December 2020		
Net (loss) / profit	(83,346)	91,681
Equity (decrease) / increase	(83,346)	91,681
GBP		
31 December 2021		
Net (loss) / profit	(21,515)	23,666
Equity (decrease) / increase	(21,515)	23,666
31 December 2020		
Net (loss) / profit	-	-
Equity (decrease) / increase	-	-

21. COMMITMENTS & CONTINGENCIES

(a) Capital commitments

	Consolidated	
	2021	2020
	$	$
The company has the following capital expenditure commitments contracted for property, plant and equipment:		
Not later than one year	879,772	-
Total	**879,772**	**-**

Cyclomedica Australia Pty Ltd has entered into contracts to upgrade the cleanroom, ventilation and air conditioning facilities at its Kingsgrove manufacturing premises.

Cyclopharm has entered into agreements to fund research projects with unrelated institutions. The commitments for these projects total $326,211 (2020: $476,291) and will be expensed when incurred. Payments will be made based on the achievement of certain milestones.

There were no other capital commitments as at the date of this report.

(b) Contingent liabilities

In December 2019, a business venture collaboration agreement combined CycloPet Pty Ltd and Pettech Solutions Limited's cyclotron facilities under a single operating enterprise known as Cyclotek NSW Pty Limited (Cyclotek NSW). Cyclopharm and Cyclotek NSW have entered into a sub-lease agreement as tenants in common whereby Cyclotek NSW is solely responsible for the tenant's obligations except for make good obligations until such time as it exercises the right to transfer its interest as tenant in common to Cyclopharm. Being a tenant in common, Cyclopharm's contingent liabilities as at 31 December 2021 amounts to $3,366,657 (2020: $3,366,657) if Cyclotek NSW is unable to fulfil its obligations as tenant. The amount comprises payments under a sub-lease agreement commencing 1 January 2020 until the expiry of two options to renew expiring on 31 December 2039 with a rent-free period until 31 December 2022.

There were no other contingent liabilities as at the date of this report (2020: $nil).

22. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Cyclopharm and its subsidiaries as stated below. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to Note 9 Trade and Other Receivables and Note 15 Trade and Other Payables:

		Purchases from related parties	Amounts owed to related parties
		$	$
Cell Structures Pty Ltd	***2021***	**50,069**	**-**
	2020	53,971	(25,035)

22. RELATED PARTY DISCLOSURES (continued)

Ultimate parent entity

Cyclopharm Limited is the ultimate parent entity in the wholly owned group.

Terms and conditions of transactions with related parties

- During the year, payments of $50,069 (2020: $53,971) were made to Cell Structures Pty Ltd (an entity controlled by Director, Mr. Tom McDonald). All payments relate to Mr. McDonald's role as a non-executive director including consultancy services provided by him prior to his cessation on 1 December 2021.

Transactions between related parties are at normal commercial prices and on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Controlled Entities

Name	Note	Country of Incorporation	Percentage of equity interest held	
			2021	2020
Cyclopharm Limited	1,2	Australia		
Controlled entities				
CycloPET Pty Ltd	2	Australia	100%	100%
Cyclomedica Australia Pty Limited	2	Australia	100%	100%
Cyclomedica Ireland Limited	3	Ireland	100%	100%
Cyclomedica Europe Limited	3	Ireland	100%	100%
Cyclomedica Benelux bvba (formerly known as Inter Commerce Medical bvba)	4	Belgium	100%	100%
Cyclomedica Nordic AB (formerly known as Medicall Analys AB)	5	Sweden	100%	100%
Cyclomedica Germany GmbH	6	Germany	100%	100%
Cyclomedica Canada Limited	7	Canada	100%	100%
Cyclomedica USA LLC	8	United States of America	100%	100%
Cyclomedica UK Ltd	9	United Kingdom	100%	100%
Cyclomedica New Zealand Limited	10	New Zealand	100%	-

Notes

1. Cyclopharm Limited is the ultimate parent entity in the wholly owned group.
2. Audited by Nexia Sydney Audit Pty Ltd, Australia.
3. Audited by Andrew P.Quinn & Associates Limited, Republic of Ireland.
4. Audited by HLB Dodemont - Van Impe, Belgium.
5. Audited by Nexia Revision, Stockholm, Sweden.
6. Audited by Bilanzia GmbH Wirtschaftsprufungsgesellschaft, Germany.
7. Audited by Schwartz Levitsky & Feldman LLP, Toronto, Canada.
8. Dormant.
9. Unaudited as results are not material.
10. Dormant.

23. EVENTS AFTER THE BALANCE DATE

FINAL DIVIDEND

On 23 February 2022, the Directors declared a final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2021, payable on 12 April 2022.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

No other matters or circumstances have arisen since the end of the financial year, not otherwise dealt with in the financial report, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial periods.

24. AUDITORS' REMUNERATION

The following total remuneration was received, or is due and receivable, by auditors of the Company in respect of:

	Consolidated	
	2021	2020
	$	$
Amounts received or due and receivable by the auditor of the parent entity and associated entities for:		
Audit and review of the financial statements	140,670	139,611
Other services:		
- tax compliance	18,982	30,771
- share registry	40,222	38,170
	199,874	**208,552**
Amounts received or due and receivable by other audit firms for:		
Audit of the financial statements of controlled entities	133,471	132,809
Other services	113,159	113,559
	246,630	**246,368**

25. SHARE BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee services received in relation to share based payments during the year is shown in the table below:

	Consolidated	
	2021	2020
	$	$
Expense arising from equity-settled share-based payment transactions (note 5)	756,588	795,600

The share-based payment reserve at 31 December 2021 was $2,593,561 (2020: $1,836,973).

(b) Share-based payment other than implied options

During the previous year, the Company issued 257,750 LTIP shares to the Managing Director for nil consideration. These shares were freely traded on and from the date of issue as approved by shareholders on 9 July 2020.

25. SHARE BASED PAYMENT PLANS (continued)

(c) Type of share-based payment plans

The share-based payment plan is described below. An updated Plan was approved by members at the Annual General Meeting held on 29 May 2018.

Shares

Long Term Incentive Plan ("Plan") Shares ("Shares") are granted to certain Directors and certain employees.

In valuing transactions settled by way of issue of shares, performance conditions and market conditions linked to the price of the shares of Cyclopharm Limited are taken into account. All shares issued have market performance conditions so as to align shareholder return and reward for the Company's selected management and staff ("Participants").

The Shares vest upon the satisfaction of certain performance conditions ("Hurdles") within the term ("Term") specified for Participants in the Plan. The Board has residual discretion to accelerate vesting (i.e. reduce or waive the Hurdles) and exercise of Shares in the event of a takeover or merger or any other circumstance in accordance with the terms of the Plan.

Shares in relation to which Hurdles have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised, except in the circumstances described below. However, the Board may at any time amend any rules governing the operation of the Plan or waive or modify the application of the rules in relation to any Participant. Shares which have not vested will lapse where a Participant ceases employment with Cyclopharm other than on retirement, redundancy, death or total and permanent disablement or unless as otherwise determined by the Board in its absolute discretion.

Where a Participant has ceased employment with Cyclopharm as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period, only shares that have vested may be retained by the Participant on a pro-rata basis. If a Participant ceases employment for any reasons mentioned above prior to the first anniversary of the grant date, the Participant forfeits all entitlement to Shares.

LTIP Shares issued

At the Annual General Meeting held on 8 May 2007, Shareholders approved the Company's Plan with an updated Plan approved by Shareholders on 29 May 2018 and 4 May 2021.

Implied Options

AASB 2 Share Based Payments requires that the benefit to an employee arising from an employee share scheme such as the Cyclopharm Long Term Incentive Plan be treated as an expense over the vesting period. All of the issues of Plan shares have been treated as Plan Share Options ("Implied Options") in accordance with AASB 2. The employee benefit is deemed to be the Implied Option arising from the Plan. Consequently, the value of the discount which has been determined using the Black Scholes option pricing model will be charged to the Statement of Comprehensive Income and credited to the Employee Equity Benefits Reserve over the vesting period.

Where employee shares are issued under a non-recourse loan payment plan, the loan assets and the increments to Contributed Equity are not recognised at grant date but rather the increments to Contributed Equity are recognised when the share loans are settled by the relevant employees.

25. SHARE BASED PAYMENT PLANS (continued)

(d) Summary of Options and Implied Options granted

The following table summarises the movements in Options and Implied Options during the current year:

		Consolidated 2021 Number	Consolidated 2020 Number	Weighted Average Exercise Price 2021 $	Weighted Average Exercise Price 2020 $
Balance at the beginning of the year		2,445,000	1,125,000	1.34	1.14
Granted during the year		408,059	1,802,750	3.20	1.38
Vested but unexercised during the year	(i)	-	(482,750)	-	-
Balance at the end of the year		**2,853,059**	**2,445,000**	**1.33**	**1.34**
Vested but unexercised at the end of the year		2,590,236	2,590,236		

(i) No LTIP shares (2020: 225,000) vested during the year.

(e) Range of exercise price, weighted average remaining contractual life and weighted average fair value

The weighted average exercise price for Options and Implied Options at the end of the year was $1.33 (2020: $1.02). The weighted average remaining contractual life for the Options and Implied Options outstanding as at 31 December 2021 is 0.91 years (2020: 1.61 years). The weighted average fair value of Options and Implied Options granted during the year was $1.02 (2020: $0.50).

(f) Implied Option pricing models

The following assumptions were used to derive a value for the Implied Options granted using the Black Scholes Option model as at the grant date, taking into account the terms and conditions upon which the Shares were granted:

	Options	Implied Options	Implied Options	Implied Options	Implied Options	Implied Options	Implied Options	Implied Options	Implied Options	Implied Options
Exercise price per Option	**$0.00**	**$1.55**	**$1.50**	**$0.00**	**$1.22**	**$1.22**	**$1.83**	**$0.00**	**$3.20**	**$3.20**
Number of recipients	1	1	2	1	23	4	1	1	34	1
Number of Options	200,000	500,000	200,000	269,614	215,000	830,000	500,000	257,750	405,059	3,000
Grant Date	27/05/19	2/07/18	30/05/19	11/12/19	4/05/20	4/05/20	24/07/20	24/07/20	19/02/21	19/02/21
Dividend yield	-	-	-	-	-	-	-	-	-	-
Expected annual volatility	42.99%	41.00%	42.99%	42.99%	51.00%	51.00%	58.00%	58.00%	61.00%	61.00%
Risk-free interest rate	1.23%	2.09%	1.23%	0.80%	0.22%	0.26%	0.26%	0.26%	0.08%	0.37%
Expected life of Option (years)	6.18 years	4 years	3 years	2.5 years	2 years	3 years	1.85 years	1.80 years	3 years	6 years
Fair value per Option	$1.431	$0.201	$0.392	$1.065	$0.308	$0.380	$0.315	$1.410	$1.012	$1.447
Share price at grant date	$1.47	$0.99	$1.49	$1.065	$1.16	$1.16	$1.41	$1.41	$2.79	$2.79
Model used	Expensed at market price at grant date over expected life of Option	Black Scholes	Black Scholes	Expensed at market price at grant date over expected life of Option	Black Scholes	Black Scholes	Black Scholes	Expensed at market price at grant date over expected life of Option	Black Scholes	Black Scholes

Expected volatility percentages used for the Option pricing calculations were determined using historic data over 24 months and were adjusted to reflect comparable companies in terms of industry and market capitalisation. The Options are not listed and as such do not have a market value.

26. PARENT ENTITY DISCLOSURE

	2021 $	2020 $
(i) **Financial Position**		
Assets		
Current Assets	22,779,449	3,564,080
Non-current Assets	41,677,103	30,193,540
Total Assets	**64,456,552**	**33,757,620**
Liabilities		
Current Liabilities	253,730	752,575
Non-current Liabilities	10,323,448	10,319,193
Total Liabilities	**10,577,178**	**11,071,768**
Net assets	**53,879,374**	**22,685,852**
Equity		
Contributed equity	63,174,973	31,832,959
Employee equity benefits reserve	2,593,561	1,836,973
Accumulated Losses	(11,889,160)	(10,984,080)
Total Equity	**53,879,374**	**22,685,852**
(ii) **Financial Performance**		
(Loss) / Profit for the year	(23,761)	490,449
Other comprehensive income	-	-
Total comprehensive income for the year	**(23,761)**	**490,449**

27. RESERVES

Nature and purpose of reserves:

(a) Employee equity benefits reserve

The employee share based payments reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

(b) Foreign currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

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