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 2013	31 December 2012

2. Results for announcement to the market

2.1 Revenues from ordinary activates	up	10.6%	to	11,882,134
2.2 Loss from ordinary activities after tax attributable to members	down	(25.3%)	to	(779,954)
2.3 Net Loss for the period attributable to members	down	(25.3%)	to	(779,954)

2.4 Dividends	Amount per security	Franked amount per security
Final dividend proposed	Not applicable	Not applicable
Interim dividend	Not applicable	Not applicable

2.5 Record date for determining entitlements for the final dividend	Not applicable

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

Refer 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. Dividends

Not applicable

7. Dividend reinvestment plans

Not applicable

8. Statement of retained earnings

Refer Attachment 1.

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

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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Email: jmcbrayer@cyclopharm.com.au

Appendix 4E

Preliminary Final Report

For the year ended 31 December 2013

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

Appendix 4E Commentary
Full Year Results of
Cyclopharm Limited and its Controlled Entities ("Company")
For the 12 months ended 31 December 2013

Features

Dear Shareholders, I am pleased to inform shareholders that every one of our core businesses demonstrated growth during the past year. We are also working hard to commercialise our new patented Ultralute^{TM} technology which will enable us to further diversify our income stream in the near future.

Firstly, sales volumes and gross margins from our Technegas business grew strongly over the year, driven by a decline in the Australian dollar exchange rate and expansion of our presence in the Canadian and Asian markets. Our cyclotron facility at Macquarie University Hospital (MUH) recorded solid sales, with the number of Fluro Deoxy Gloucose (FDG) patient doses sold improving by 11% for the year. We continue to be encouraged by the strong growth in patient volumes seen through Macquarie Medical Imaging (MMI), our joint venture diagnostic imaging service located at Macquarie University Hospital. MMI achieved a robust 32% increase in sales in comparison with the prior comparative period.

While we have expanded our overall offering through diversification, Technegas nevertheless remains the financial foundation of the group, recording 88% (2012: 87%) of the total sales for the year. The following table outlines the group's consolidated performance on a comparative year financial basis:

Full Year ended 31 December	2012	2013
	$'000	$'000
Net Loss Before Tax	(1,011)	(926)
Add back: MMI share of loss of associate	-	(253)
Add back: Molecular Imaging Division loss	(2,117)	(2,681)
Technegas Division Net Profit Before Tax	1,106	2,008

The Molecular Imaging business operating as Cyclopet contributed revenues of $1,425,215 (2012: $1,375,840) and incurred a Loss before tax of $2,934,497 (2012: $2,116,645). Cyclopet's loss is primarily attributed to what we consider to be the impact of the Australian Nuclear Science and Technology Organisation's (ANSTO's) competitive actions focused in the NSW market and legal fees of $738,207 which have to date been expended on the proposed court action against ANSTO combined with the shared losses of MMI amounting to $252,640 (2012: $nil). Cyclopet loaned $60,000 (2012: $nil) to MMI during the year. As the loan amount in addition to trade debtors of $192,640 is not expected to be repaid in the short term, they are included as a loan to the associate and a share of the associate's losses has been recognised accordingly.

The combined sales of the Company's key products, TechnegasPlus generators (Generators) and Patient Administration Sets (PAS), of $10.46m was 11.6% higher than the prior year amount of $9.37m assisted by favourable foreign exchange impacts. 82% of Technegas revenue is attributed to PAS sales. We are particularly pleased with the growth seen in this product. The sales of PAS boxes were 7% higher with revenue growth of 18% as a result of price increases and favourable foreign exchange movements.

Technegas Generator revenue, representing 8% of the Technegas segmental sales, decreased by 31%. In spite of the lower unit sales falling by 34% compared to the previous year, revenue was buffered by price increases in Australia, Latin America and Canada.

Favourable foreign currency movements impacted revenue as approximately 66% (2012: 69%) of sales are denominated in currencies other than the Australian Dollar. Realised foreign exchange gains amounted to $162,799 (2012: $209,411 realised foreign exchange losses).

Technegas division operating costs remained stable at $4.89 million, 1.6% lower than that of the prior corresponding period of $4.97 million.

For the reasons mentioned above, the Company reported a lower loss before tax of $926,005 (2012: loss before tax of $1,010,861). The group's net loss after tax for the year was also significantly lower at $779,954 (2012: loss of $1,044,127). The improvement was due to the recognition of a tax benefit totalling $146,051 primarily from an R&D tax incentive offset of $297,176 received during the year.

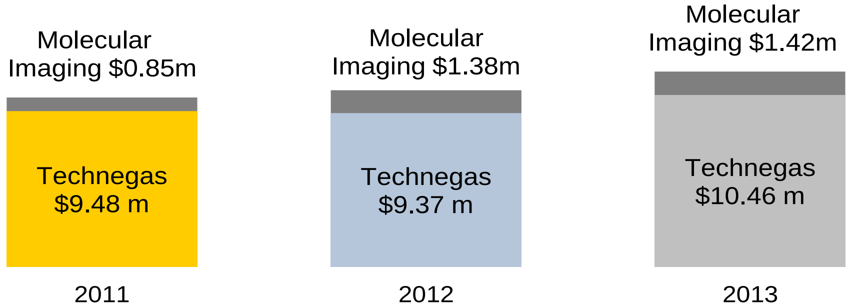
Operating review

Technegas

Technegas is a lung imaging device used primarily to diagnose the presence of blood clots in the lungs known as Pulmonary Emboli (PE). For the last 26 years, over 3,000,000 patients have benefited from the Technegas system. The company continues to face similar challenges as in prior years with continued competition from Computed Tomography Pulmonary Angiogram ("CTPA"); however, with the numerous contraindications attributed to CTPA along with the concerns relating to the high levels of radiation exposure resulting from a CTPA exam, Technegas with its continued growth continues to demonstrate its relevance and has once again generated strong sales and cash flows.

Revenue Composition

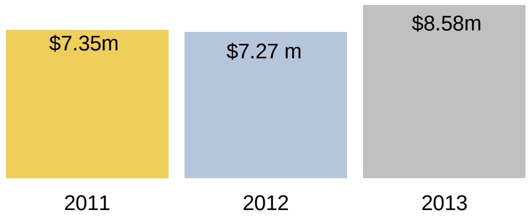
Sales revenue of $10.46m from the Company's key products, Generators and PAS, showed a significant 11.6% growth over the preceding year (2012: $9.37m). Gross profit margins as a percentage of sales increased from 74% to 75%. PAS or consumable revenue representing 82% of the segment's revenue was 18% higher at $8.58 million for the current period compared to that of the previous year (2012: $7.27 million) driven by a 7% volume increase in units sold of 192,550 units (2012: 179,450 units) and positive foreign exchange movements. The foreign exchange uplift is attributed to a favourable 8% movement in the Euro to Australian Dollar combined with the weighted average of revenue generated in Europe increasing to 61% as compared to 59% in 2012.



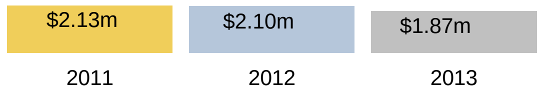
Group Revenue by segment

Cyclopharm recorded 35 Technegas Plus Generator sales in 2013, 18 units (34%) less than the prior year (2012: 53) which resulted in Technegas generator and other sales revenues ending the year at $1.87m (2012: $2.10m), or 10.9% lower than the prior year. The negative impact of the reduction in Technegas Plus Generator units sold was however lessened by a $0.16m (17%) rise in service revenue to $1.04m (2012: $0.89m).

Managing Director's Report
Continued



Group, PAS Revenue



Group, Technegas and Other

New Drug Application to sell Technegas in the USA

We announced to the Australian Stock Exchange in November 2012 that the Technegas Clinical trial required for market entry into the United States had commenced at New York's Presbyterian/Columbia University Medical Center. A total of 750 patients are required for the study which is now expected to be completed in the second half of 2015. Despite screening numerous patients in the study, less than 10 have been imaged to date. We wrote to the FDA requesting for modifications in identified elements within the protocol which would allow for a more aggressive enrolment and clinical site roll-out. The FDA has since agreed with our proposed changes. With the modified protocol agreed to by the FDA, new trial sites are being activated during Q1 2014.

The trial is well on our way now and I share my fellow Directors' confidence that our application for market entry into the United States will ultimately be successful. As the USA represents a major growth opportunity, the Directors are compelled to continue to drive for FDA approval but will ensure we do so prudently.

Regional Review

Europe

Approximately 61% of sales revenue is derived in Europe (2012: 59%). Overall sales revenue was 16% higher at $6.25m (2012: $5.37m). Generator sales were lower with 20 sold in 2013 compared with 28 in the prior year while 2,161 PAS boxes were sold, 8% higher than the 1,999 boxes sold in 2012. Sales revenue was positively impacted by an approximate 8% movement in the Australian dollar relative to the European Euro. Pleasingly, unit sales have continued to grow in spite of the prolonged economic turbulence in Europe.

North America

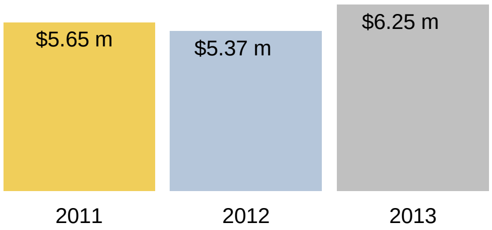
North America consisting of exclusively Canada recorded sales of 1 generator (2012: 15). We are very pleased to report PAS sales continue to grow in this region with the 10th consecutive year of growth being recorded. 800 PAS boxes were sold in 2013 as compared to the previous year (2012: 757 PAS boxes). On a country basis, Canada is now the second largest Technegas market globally. Canada recorded total revenue of $1.74m (2012: $2.03m) in 2013. The Directors have been extremely pleased with the success of Technegas in Canada and we are confident this is a strong indicator for anticipated take up rates in the United States once approval to sell Technegas is obtained.

Asia Pacific

Revenues in the Asia Pacific region grew by 31% in 2013. In Australia, where Technegas enjoys a very high market share, total revenues increased by 27% with a 100% increase in generator sales of 10 (2012: 5) units and a consistent number of PAS boxes sold. Pleasingly, in Asia, sales revenue increased by 43%, driven by 138 PAS boxes sold in China as a result of intensified efforts to penetrate the Chinese market. Approval from the Japanese regulatory authorities for the TechnegasPlus Generator was received in October 2013 and we expect strong sales growth in Japan in the near future.

Managing Director's Report
Continued

North America, Total Revenue



Europe, Total Revenue

Asia Pacific, Total Revenue

New Drug Application

We continue to develop new indications for Technegas. Other disease states beyond pulmonary embolism, to include Chronic Obstructive Pulmonary Disease ("COPD") and Lung Cancer have significant market potential for Technegas and are currently being targeted with clinical studies now underway. Our pursuit of an expanded indication is fuelled by the market potential as we estimate that the COPD market is 15 to 20 times the size of that of the pulmonary embolism market we currently occupy.

In May, we were delighted to announce we had initiated a 500 person pilot clinical trial in China, targeting the use of Technegas for the diagnosis of Chronic Obstructive Pulmonary Disease or COPD.

The commencement of this trial coincided with the results of a study published in the North American Journal of Nuclear Medicine by Canadian researchers from McMaster University and the Firestone Institute for Respiratory Health, which demonstrated that Technegas detected changes in lung ventilation and perfusion before structural changes in the lungs were detected by CT scans. Stated simply, Technegas has the potential to be used not only for early diagnosis of COPD but also on a recurrent basis for COPD management. The opportunity presented by this discovery may lead to a significant expansion of the use of Technegas globally. The COPD diagnosis market is many times larger than the market in which Technegas is currently predominantly used. For example, in Australia, 1 in 5 Australians can expect to suffer from COPD in their lifetime, and in China it has been estimated that there will be 65 million deaths from COPD and 18 million deaths from lung cancer between 2003 and 2033.

I look forward to providing you updates as they become available.

Molecular Imaging trading as Cyclopet

Cyclopet completed its third year of operations with a consistent sales growth of 4% achieved on $1.43m (2012: $1.38m) revenue generated from the cyclotron facility located at MUH despite facing tremendous competitive headwinds in NSW.

Market growth has been significantly impacted as a consequence of the NSW tender to supply PET radiopharmaceuticals to public hospitals in NSW being awarded to Petnet Australia, a wholly owned subsidiary of the Australian Nuclear Science and Technology Organisation (ANSTO). The overall loss before tax for the year incurred increased by 39% to $2,934,497 (2012: loss before tax of $2,116,645) due to legal fees of $738,207 arising from the proceedings explained below and shared losses of MMI amounting to $252,640 (2012: $nil). Cyclopet loaned $60,000 (2012: $nil) to MMI during the year. As the loan amount in addition to trade debtors of $192,640 is not expected to be repaid in the short term, they are included as an interest in the associate and a share of the associate's losses has been recognised accordingly.

Based on a complaint from Cyclopet, Petnet Australia was subject to an investigation by the Australian Government Competitive Neutrality Complaints Office (AGCNCO), an independent division of the Productivity Commission. The AGCNCO handed down a rare finding in favour of Cyclopet complaint finding that Petnet Australia, being a government owned enterprise, was in ex-ante breach of its competitive neutrality requirements.

ANSTO on behalf of Petnet has refuted the finding from the AGCNCO that Petnet is in breach of their competitive neutrality obligations. As a consequence, Cyclopet has commenced proceedings in the Australian Federal Court claiming breaches to not only sections 52 and 45 of the Trade Practices Act 1974 (Commonwealth) but also sections 18, 45 and 46 of the Competition and Consumer Act 2010.

It should be noted that before Cyclopharm commenced to invest in its Molecular Imaging strategy, it shared with ANSTO's then Chief Executive Officer and other Senior ANSTO Managers its business plan to develop cyclotron facilities. At that time ANSTO had already disbanded the commercial supply of FDG to the Australian market and furthermore did not demonstrate an interest to reinvest in the production of FDG. Cyclopharm alleges that subsequent to our discussions when ANSTO did decide to re-enter the FDG market, they did so at non-commercial pricing levels. Cyclopharm further believes that ANSTO continues to take advantage of its government subsidised position by perpetuating a loss-making non-commercial venture rather than directing those tax payer funds towards much needed research and development.

Whilst we have not yet been able to have this matter brought before the courts, the cost of funding this litigation is undoubtedly a cash burden to your company. Nevertheless, your Directors are committed to vigorously prosecute what we believe to be not only a serious breach of competition law but also an inappropriate and wasteful use of tax payer funds by a government owned enterprise used to compete against the private sector. We are hopeful that the matter will come before the Federal Court in the third quarter of 2014.

Unfortunately the losses we have sustained as result of the action of ANSTO has meant that your company will operate at a loss until such time as the various legal action we have taken results in a rectification of this situation.

I look forward to updating shareholders as the case progresses.

Macquarie Medical Imaging

Cyclopharm's medical imaging joint venture, MMI, provides patients at Macquarie University Hospital and neighbouring suburbs access to state of the art imaging facilities including 3T MRI, CT, X-ray, Ultrasound and Positron Emission Tomography (PET) scanning.

Growth in MMI is tied closely to the hospital's ramp-up. In December 2011 Macquarie University Hospital took a 30% share in the joint venture. Patient volumes continue to gradually increase as initiatives being implemented at MUH including a new breast clinic, expanded specialties such as cardiothoracic services, cancer care services and expanded PET indications take effect.

Due to Cyclopharm's minority shareholding, profit and losses are recorded as an equity accounted investment. As a result, revenues are not reported in our accounts while share of losses amounting to $252,640 (2012: $nil) were recognised during the year as explained above. The investment in MMI has been fully written down as at 31 December 2011.

ULTRALUTE^{TM}

In April 2013, we were delighted to announce the development and patent of a new Nuclear Medicine technology – Ultralute^{TM}. Cyclopharm's Ultralute^{TM} technology extends the useful life of Mollybdenum-99 (Mo-99) generators by up to an additional 50%.

Mo-99 generators are used in diagnostic imaging to harvest Technetium-99m, or Tc-99m, which is the primary isotope used in diagnostic imaging throughout the world. This isotope accounts for approximately 80% of all nuclear medicine diagnostic imaging procedures.

Mo-99 has a half-life of around 2.75 days, which then decays to the 6 hour half lifeTc-99m. As Mo-99 decays there comes a time when the amount of Tc-99m eluted from the generator is so diluted that it becomes virtually unusable.

Initial testing and prototype designs of the Ultralute^{TM} technology have provided exceptional results.

Consequently, this technology potentially gives nuclear medicine departments the ability to dramatically improve their operating efficiencies and health outcomes for patients.

OUTLOOK

In 2014, your Directors expect continued growth in Technegas revenues from targeted marketing in Europe and China as well as growth following regulatory approval in Japan and Russia. We forecast a change in the mix of Technegas products. We anticipate more generators (lower margins) relative to PAS box sales and therefore lower profit margins.

We look forward to introducing Technegas to the United States market following successful completion of our Phase 3 clinical trial, currently underway, and subsequent approval by the FDA. Investigational sites will be progressively added throughout 2014 and 2015 to meet the trial's target of 750 patients. Over half of the world's nuclear medicine departments are located in the United States and represents the single biggest growth opportunity for Technegas.

While the market for PET radiopharmaceuticals manufactured by Cyclopet is growing, the market has not reached our initial expectations.

The majority of our current volume is shipped north to Queensland on a daily basis. The attractiveness of this market is such that we entered into a tripartite agreement last year with the Queensland X-Ray and the Mater Hospital in Brisbane to locate a cyclotron facility at the Mater. We remain committed to continue to supply the Queensland market; however, operational expansion in Queensland will be primarily dependent on the successful litigation outcome currently underway.

We are now moving toward the regulatory approval process of the Ultralute^{TM} technology while in parallel entering in discussions with potential commercial partners. Global industry interest in our Ultralute^{TM} technology is strong and continues to accelerate. We look forward to making further announcements this year regarding Ultralute's^{TM} progress towards commercialisation and are excited about its potential to form the basis of Cyclopharm's next stage of growth.

At the time of the investment, the Directors viewed the Cyclotron facility as a major investment that would yield significant long term returns for the Company. However, given competition from government subsidised entities, it appears that a Federal Court judgement is required to determine if fair and equitable competition is possible. We are pleased that a court date of 1 September 2014 has now been set and look forward to the resolution of this matter.

Furthermore, FDA approval to sell Technegas into the USA market provides Cyclopharm with the opportunity to significantly expand its sales and profitability. Consequently, to realise the benefits of our investments, your Directors are investigating options for funding interim working capital requirements and for the clinical trials in the US, which will be ramping up in 2014. In this regard, the Company expects to be in a position to make a further announcement regarding its funding plans in the first quarter of 2014.

However, for the coming year, we forecast that profitability will continue to be adversely impacted by the issues faced by Cyclopet.

James McBrayer
Managing Director and CEO

Statement of Comprehensive Income

for the year ended 31 December 2013

Cyclopharm Limited
UNAUDITED

	Notes	Consolidated 2013 $	Consolidated 2012 $
CONTINUING OPERATIONS			
Sales revenue	4	11,882,134	10,743,824
Finance revenue		15,438	23,941
Total revenue		**11,897,572**	**10,767,765**
Cost of materials and manufacturing	4a	(3,508,337)	(3,348,575)
Employee benefits expense	4e	(3,739,567)	(3,338,159)
Advertising and promotion expense		(308,668)	(288,309)
Depreciation and amortisation expense	4c	(643,083)	(651,983)
Freight and duty expense		(629,502)	(642,574)
Research and development expense	4d	(37,514)	(22,736)
Administration expense	4f	(3,103,785)	(2,335,027)
Other expenses	4g	(330,219)	(767,475)
Share of loss of associate	11	(252,640)	-
Loss before tax and finance costs		**(655,743)**	**(627,073)**
Finance costs	4b	(270,262)	(383,788)
Loss before income tax		**(926,005)**	**(1,010,861)**
Income tax benefit / (expense)	5	146,051	(33,266)
Net Loss for the year		**(779,954)**	**(1,044,127)**
Other comprehensive income after income tax			
Exchange differences on translating foreign controlled entities		572,423	143,084
Total comprehensive loss for the year		**(207,531)**	**(901,043)**
Loss per share (cents per share)	6	**cents**	**cents**
-basic loss per share for continuing operations		(1.35)	(0.86)
-basic loss per share		(1.35)	(0.86)
-diluted loss per share		(1.35)	(0.86)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Statement of Financial Position
as at 31 December 2013

Cyclopharm Limited
UNAUDITED

	Notes	Consolidated 2013 $	Consolidated 2012 $
Assets			
Current Assets			
Cash and cash equivalents	7	1,220,646	2,346,556
Trade and other receivables	8	3,628,951	3,784,293
Inventories	9	2,581,113	2,884,834
Current tax asset	5	-	1,478
Other assets		20,794	15,822
Total Current Assets		**7,451,504**	**9,032,983**
Non-current Assets			
Inventories	9	178,416	-
Property, plant and equipment	10	9,602,583	9,526,942
Investments accounted for using the equity method	11	-	-
Intangible assets	12	3,526,827	3,096,438
Total Non-current Assets		**13,307,826**	**12,623,380**
Total Assets		**20,759,330**	**21,656,363**
Liabilities			
Current Liabilities			
Trade and other payables	13	1,869,833	1,642,146
Interest bearing loans and borrowings	14	2,416,986	3,604,310
Provisions	15	800,653	681,588
Tax liabilities	5	123,019	-
Total Current Liabilities		**5,210,491**	**5,928,044**
Non-current Liabilities			
Interest bearing loans and borrowings	14	-	16,986
Provisions	15	120,960	84,456
Deferred tax liabilities	5	17,223	18,444
Total Non-current Liabilities		**138,183**	**119,886**
Total Liabilities		**5,348,674**	**6,047,930**
Net Assets		**15,410,656**	**15,608,433**
Equity			
Contributed equity	16	14,963,237	14,966,515
Employee equity benefits reserve		338,585	325,553
Foreign currency translation reserve		(1,017,186)	(1,589,609)
Retained profits		1,126,020	1,905,974
Total Equity		**15,410,656**	**15,608,433**

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

Statement of Cash Flows
for the year ended 31 December 2013

Cyclopharm Limited
UNAUDITED

	Notes	Consolidated 2013 $	Consolidated 2012 $
Operating activities			
Receipts from customers		12,032,504	11,055,433
Payments to suppliers and employees		(10,861,897)	(10,266,572)
Interest received		15,438	23,941
Borrowing costs paid		(270,262)	(383,788)
Income tax received / (paid)		269,327	(59,729)
Net cash flows from operating activities	7	**1,185,110**	**369,285**
Investing activities			
Loan to associate		(60,000)	-
Purchase of property, plant and equipment		(663,497)	(407,462)
Payments for deferred expenditure		(485,616)	(342,099)
Net cash flows used in investing activities		**(1,209,113)**	**(749,561)**
Financing activities			
Proceeds from issue of shares		-	2,092,915
Costs of raising capital		(3,278)	(191,592)
Repayment of bank borrowings		(1,204,310)	(1,203,157)
Net cash flows (used in) / from financing activities		**(1,207,588)**	**698,166**
Net (decrease) / increase in cash and cash equivalents		**(1,231,591)**	**317,890**
Cash and cash equivalents			
- at beginning of the period		**2,346,556**	**2,043,814**
- net foreign exchange differences from translation of cash and cash equivalents		105,681	(15,148)
- at end of the year	7	**1,220,646**	**2,346,556**

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

Statement of Changes in Equity
for the year ended 31 December 2013

Cyclopharm Limited
UNAUDITED

CONSOLIDATED	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings $	Foreign Currency Translation Reserve $	Employee Equity Benefits Reserve $	Total $
Balance at 1 January 2012	**18,398,350**	**(5,333,158)**	**13,065,192**	**2,950,101**	**(1,732,693)**	**322,199**	**14,604,799**
Loss for the year	-	-	-	(1,044,127)	-	-	(1,044,127)
Other comprehensive income	-	-	-	-	143,084	-	143,084
Total comprehensive loss for the year	**-**	**-**	**-**	**(1,044,127)**	**143,084**	**-**	**(901,043)**
Issue of renounceable rights shares	2,092,915	-	2,092,915	-	-	-	2,092,915
Cost of raising capital	(191,592)	-	(191,592)	-	-	-	(191,592)
Cost of share based payments	-	-	-	-	-	3,354	3,354
Total transactions with owners and other transfers	**1,901,323**	**-**	**1,901,323**	**-**	**-**	**3,354**	**1,904,677**
Balance at 31 December 2012	**20,299,673**	**(5,333,158)**	**14,966,515**	**1,905,974**	**(1,589,609)**	**325,553**	**15,608,433**
Balance at 1 January 2013	**20,299,673**	**(5,333,158)**	**14,966,515**	**1,905,974**	**(1,589,609)**	**325,553**	**15,608,433**
Loss for the year	-	-	-	(779,954)	-	-	(779,954)
Other comprehensive income	-	-	-	-	572,423	-	572,423
Total comprehensive loss for the year	**-**	**-**	**-**	**(779,954)**	**572,423**	**-**	**(207,531)**
Cost of raising capital	(3,278)	-	(3,278)	-	-	-	(3,278)
Cost of share based payments	-	-	-	-	-	13,032	13,032
Total transactions with owners and other transfers	**(3,278)**	**-**	**(3,278)**	**-**	**-**	**13,032**	**9,754**
Balance at 31 December 2013	**20,296,395**	**(5,333,158)**	**14,963,237**	**1,126,020**	**(1,017,186)**	**338,585**	**15,410,656**

The 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.

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) Going Concern

The consolidated entity incurred a loss after tax of $779,954 for the year ended 31 December 2013. During the next 12 months, the consolidated entity expects to expend $0.36m on FDA clinical trials, $2.4m on bank loan repayments and other net outgoings which in aggregate, exceed the current cash facilities.

Further trading losses are expected for the financial year ending 2014 due to the impact of the Molecular Imaging Division.

These matters give rise to a material uncertainty that casts significant doubt upon the consolidated entity's ability to continue as a going concern. The ongoing operation of the consolidated entity is dependent upon:

i) The consolidated entity achieving cash flow positive trading operations from its existing business and

ii) Additional capital raising.

The directors have prepared cash flow projections that support the ability of the consolidated entity to continue as a going concern. These cash flow projections assume net proceeds of $1.75m from a capital raising exercise. The directors are confident of raising these funds when required. On this basis, the directors are of the opinion that the consolidated entity can and will continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the event that the consolidated entity does not achieve positive cash flows from trading operations, it may not be able to continue operations as a going concern and therefore the consolidated entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

c) New and Amended Accounting Policies Adopted by the Group

Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: *Consolidated Financial Statements;*
- AASB 12: *Disclosure of Interests in Other Entities;* and
- AASB 127: *Separate Financial Statements.*

AASB 10 provides a revised definition of “control” and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements.

The first-time application of AASB10 has not resulted in any changes to the Group’s financial statements.

AASB12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB12 has resulted in more extensive disclosures in the consolidated financial statements.

d) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* (December 2010) and AASB 2010-7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards are mandatorily applicable for annual reporting periods commencing on or after 1 January 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010-7 may have a significant impact on the Group's financial instruments, it is impractical at this stage to provide reasonable estimate of such impact.

- AASB 2011-4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013)

  This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus 29.9.3)

  This Standard is not expected to significantly impact the Group's financial report as a whole because it is anticipated that such disclosure will be contained in the directors' report.

- AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commending on or after 1 January 2014)

  This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

  Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014)

  AASB 2013-4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013-5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014)

  AASB 2013-5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounting for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cyclopharm and its subsidiaries as at 31 December each year ('the Group').

Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 Cyclopharm 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 dissimilar accounting policies that may exist.

Transactions eliminated on consolidation

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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)

f) 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, is European Euro (Euro €) and Cyclomedica Canada Limited is Canadian dollars (Can $).

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 that reporting date.
- Income and expenses are translated at the weighted 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. These differences are recognised in the Statement of Comprehensive Income in the period in which the entity is disposed. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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

The Company 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 tax Australian 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.

The Company 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.

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.

Certain expenditure in establishing and commissioning Cyclopharm's PET central Pharmacies has been capitalised and is being depreciated. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	20 - 50%	Straight-line method
Motor vehicles	20 - 25%	Straight-line method

	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

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.

i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Intangibles

Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the Statement of Comprehensive Income through the 'depreciation and amortisation' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

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.

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 future benefits will exceed deferred costs and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. 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.

Expenditure on the development of the TechnegasPlus generator has been capitalised. A useful life of 9 years has been applied and amortisation for the year included in the Statement of Comprehensive Income. 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.

Expenditure on costs incurred in the application to the Food & Drug Administration authority such as the clinical trial process have been capitalised. A useful life has not been determined as Cyclopharm have not yet received approval from the Food & Drug Administration authority. No impairment provision has been deemed necessary at balance date. The Directors are satisfied that the future economic benefits will eventuate to justify the carrying value of the capitalised expenditure.

Development expenditure is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Capitalised development expenditure is measured at cost less any accumulated amortisation and impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. A specific estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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) 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)

q) 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.

r) 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 performance 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.

s) Leases

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Revenue recognition

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

Sale of goods

Revenue is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership and therefore control of the goods have passed to the buyer and can be measured reliably. Control is considered to have passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

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

u) 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.

v) 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.

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)

w) 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 *UIG 1052 Tax Consolidation Accounting*, 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 acquiring its interests in the net assets of Vita Medical Limited.

As part of the restructure a subsidiary of Cyclopharm, 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 also acquired 100% of the other group operating subsidiaries from the ultimate holding company, Vita Life Sciences Limited. Accordingly, the group comprises Cyclopharm 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
- Allrad 29 Pty Ltd

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 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 127 Consolidated and Separate Financial Statements*.

x) 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

y) Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect 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.

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 assumptions used in the estimation of recoverable amount and the carrying amount of intangible assets are discussed in Note 12. No impairment has been recognised in respect of intangible assets at the end of the reporting period. Should the projected revenue figures be outside 43% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying amount of FDA development costs amounting to $3.38m.

The property, plant & equipment relating to the Cyclopet assets has been tested for impairment using the following assumptions:

i. Five year pre-tax cash flow projections, based upon management approved budgets and growth rates covering a one year period, with the subsequent periods based upon management expectations of significantly increased revenues in the medium term which in turn contemplates a satisfactory resolution of the dispute with PetNet Australia (refer to Note 18(f)) excluding the impact of possible future acquisitions, business improvement capital expenditure and restructuring.

ii. The terminal growth rate used to extrapolate cashflows beyond the five year forecast period was 3.0% in 2013 (2012: 3.0%).

iii. The discount factor used was 9.3% in 2013 (2012: 7.3%).

No impairment has been recognised in respect of the plant and equipment at the end of the reporting period. Should the projected revenue figures be outside of 17% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying amount of $8.91m.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Going Concern

Note 2(b) above outlines information about the assessment of the going concern position of the consolidated entity.

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 22 for details of the Company's Share Based Payment Plan.

3. **SEGMENT REPORTING**

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominantly by differences in the products and services produced. The Group's secondary segment is geographical.

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.

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 2013 and 31 December 2012.

Geographical segments

The tables under the heading geographical segment present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2013 and 31 December 2012.

3. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2013	Consolidated Technegas $	Molecular Imaging $	Total $
Revenue			
Sales to external customers	10,456,919	1,425,215	11,882,134
Finance revenue	15,345	93	15,438
Total revenue	**10,472,264**	**1,425,308**	**11,897,572**
Result			
Profit / (Loss) before tax and finance costs	**2,025,694**	**(2,681,437)**	**(655,743)**
Finance costs	(17,202)	(253,060)	(270,262)
Profit / (Loss) before income tax	**2,008,492**	**(2,934,497)**	**(926,005)**
Income tax benefit / (expense)	146,051	-	146,051
Profit / (Loss) after income tax	**2,154,543**	**(2,934,497)**	**(779,954)**
Assets and liabilities			
Segment assets	10,825,125	9,934,205	20,759,330
Segment asset increases for the period :			
- capital expenditure	347,882	365,642	713,524
Segment liabilities	(2,357,386)	(2,991,288)	(5,348,674)
Other segment information			
Depreciation and amortisation	(220,139)	(422,944)	(643,083)
Equity accounted loss of associate	-	(252,640)	(252,640)

3. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2012	Consolidated Technegas $	Molecular Imaging $	Total $
Revenue			
Sales to external customers	9,367,984	1,375,840	10,743,824
Finance revenue	23,546	395	23,941
Total revenue	**9,391,530**	**1,376,235**	**10,767,765**
Result			
Profit / (Loss) before tax and finance costs	**1,124,977**	**(1,752,050)**	**(627,073)**
Finance costs	(19,193)	(364,595)	(383,788)
Profit / (Loss) before income tax	**1,105,784**	**(2,116,645)**	**(1,010,861)**
Income tax expense	258,807	(292,073)	(33,266)
Profit / (Loss) after income tax	**1,364,591**	**(2,408,718)**	**(1,044,127)**
Assets and liabilities			
Segment assets	10,350,033	11,306,330	21,656,363
Segment asset increases for the period :			
- capital expenditure	515,482	157,765	673,247
Segment liabilities	(2,156,328)	(3,891,602)	(6,047,930)
Other segment information			
Depreciation and amortisation	(229,272)	(422,711)	(651,983)
Equity accounted loss of associate	-	-	-

3. SEGMENT REPORTING (continued)

Geographical Segments

For the year ended 31 December 2013	Consolidated Asia Pacific $	Europe $	Canada $	Other $	Total $
Revenue					
Sales to external customers	3,914,802	6,102,430	1,746,780	118,122	11,882,134
Finance revenue	15,216	222	-	-	15,438
Total segment revenue	**3,930,018**	**6,102,652**	**1,746,780**	**118,122**	**11,897,572**
Assets					
Segment assets	15,900,747	4,196,671	661,912	-	20,759,330

For the year ended 31 December 2012	Consolidated Asia Pacific $	Europe $	Canada $	Other $	Total $
Revenue					
Sales to external customers	3,332,610	5,192,341	2,037,156	181,717	10,743,824
Finance revenue	21,016	2,925	-	-	23,941
Total segment revenue	**3,353,626**	**5,195,266**	**2,037,156**	**181,717**	**10,767,765**
Assets					
Segment assets	16,410,617	4,212,822	1,032,924	-	21,656,363

4. REVENUES AND EXPENSES

	Notes	Consolidated 2013 $	Consolidated 2012 $
Revenue			
Sales revenue		11,882,134	10,743,824
Finance revenue		15,438	23,941
Expenses			
a) Cost of materials and manufacturing			
Cost of materials and manufacturing		3,508,337	3,348,575
b) Finance costs			
Interest paid on loans from external parties		270,262	383,788
c) Depreciation and amortisation			
Depreciation of plant and equipment		516,685	523,143
Depreciation of leasehold improvements		71,171	74,865
Amortisation of intangibles		55,227	53,975
		643,083	651,983
d) Research & development expense			
Research expenses		37,514	22,736
e) Employee benefits expense			
Salaries and w ages		3,644,178	3,259,437
Non-Executive Director fees		82,357	75,368
Share-based payments expense	22a	13,032	3,354
		3,739,567	3,338,159
f) Administration expense			
Legal and professional costs		1,467,697	751,696
Office and facility costs		550,800	535,744
Operating lease expenses	18a	488,765	481,639
Travel and motor vehicle costs		596,523	565,948
		3,103,785	2,335,027
g) Other expenses			
Realised Foreign exchange (gains) / losses		(162,799)	209,411
Unrealised Foreign exchange losses / (gains)		21,785	(6,054)
Other		471,233	564,118
		330,219	767,475

5. INCOME TAX

	Consolidated 2013 $	Consolidated 2012 $
The components of income tax expense comprise:		
Current income tax benefit / (expense)	144,830	(42,161)
Deferred tax benefit	1,221	8,895
	146,051	**(33,266)**
A reconciliation of income tax benefit / (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	**(926,005)**	**(1,010,861)**
Statutory income tax rate of 30%	277,802	303,258
Expenditure not allowable for income tax purposes	(99,485)	(2,840)
Effects of lower rates on overseas income	150,183	25,404
Tax losses not recognised in Australian group	(519,188)	(359,088)
Temporary differences not recognised in overseas subsidiaries	39,563	-
Research and development tax offset	297,176	-
Total income tax benefit / (expense)	**146,051**	**(33,266)**
Effective income tax rate	(15.8%)	3.3%
Current income tax (liabilities) / assets	**(123,019)**	**1,478**
Deferred tax assets/liabilties		
Deferred tax liabilities from temporary differences on:		
Provisions and accruals	17,223	18,444
Total deferred tax liabilities	**17,223**	**18,444**
Deferred tax assets for which no benefit has been recognised:		
- arising from temporary differences - at 30%	809,734	**828,959**
- arising from tax losses - at 26.5%	158,268	**150,941**
- at 30%	672,909	**366,107**

6. NET TANGIBLE ASSETS AND EARNINGS PER SHARE

Net Tangible Assets per share

	Consolidated	
	2013 $	2012 $
Net assets per share	0.27	0.27
Net tangible assets per share	0.21	0.22
	Number	Number
Number of ordinary shares for net assets per share	57,448,536	58,128,536
	2013 $	2012 $
Net assets	15,410,656	15,608,433
Net tangible assets	11,883,829	12,511,995

The number of ordinary shares includes the effect of the cancellation of 680,000 expired Long Term Incentive Performance shares on 2 April 2013 as set out in Note 16.

Earnings per share

	Consolidated	
	2013 cents	2012 cents
Basic loss per share for continuing operations	(1.35)	(0.86)
Basic loss per share	(1.35)	(0.86)
Diluted loss per share	(1.35)	(0.86)
	Number	Number
Weighted average number of ordinary shares for basic and diluted loss per share	57,619,933	121,338,552
	2013 $	2012 $
Loss used to calculate basic earnings per share	(779,954)	(1,044,127)
Loss used to calculate diluted earnings per share	(779,954)	(1,044,127)

The weighted average number of ordinary shares includes the effect of the cancellation of 680,000 expired Long Term Incentive Performance shares on 2 April 2013 as set out in Note 16.

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2013	2012
	$	$
Cash at bank and in hand	1,220,646	2,346,556
Total cash and cash equivalents	**1,220,646**	**2,346,556**

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

The fair value of cash equivalents is $1,220,646 (2012: $2,346,556).

Reconciliation of Statement of Cash Flows	2013	2012
	$	$
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	1,220,646	2,346,556
	1,220,646	**2,346,556**
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss after tax	**(779,954)**	**(1,044,127)**
Adjustments for non-cash income and expense items:		
Depreciation	587,856	598,008
Amortisation	55,227	53,975
Share of loss in investment in associate	192,640	-
Movement provision for employee benefits	155,569	55,918
Movement in foreign exchange	466,742	158,232
Movement in employee benefits reserve	13,032	3,354
Movement in other provisions	-	124,792
	691,112	**(49,848)**
Increase/decrease in assets and liabilities:		
(Increase) / decrease in receivables	(12,012)	399,496
Decrease / (increase) in inventories	125,305	(397,753)
Decrease / (increase) in other receivables	162,382	(87,887)
Decrease / (increase) in current tax asset	1,478	(1,478)
Increase in creditors	95,047	531,740
Increase / (decrease) in current tax liabilities	123,019	(16,090)
Decrease in deferred tax liabilities	(1,221)	(8,895)
Net cash flow from operating activities	**1,185,110**	**369,285**

8. TRADE AND OTHER RECEIVABLES

	Notes	Consolidated 2013 $	2012 $
Current			
Trade receivables, third parties		3,475,453	3,461,562
Provision for doubtful debts		(10,581)	(8,702)
Net Trade receivables, third parties	(i)	3,464,872	3,452,860
Other receivables	(ii)	164,079	331,433
Total Current trade and other receivables		**3,628,951**	**3,784,293**

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 debtors are non-interest bearing and have repayment terms between 30 and 90 days.

(iii) Related party details are set out in the Note 19 Related party disclosures.

9. INVENTORIES

	Notes	Consolidated 2013 $	2012 $
Current			
Raw materials at cost		647,463	844,738
Finished goods at lower of cost or net realisable value		1,933,650	2,040,096
Total current inventory		**2,581,113**	**2,884,834**
Non-current			
Finished goods at lower of cost or net realisable value		178,416	-
Total non-current inventory		**178,416**	**-**
Total inventory		**2,759,529**	**2,884,834**

10. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2013 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2013						
at written down value	1,881,418	2,695,879	4,762,231	13,499	173,915	9,526,942
Additions / Transfers	389,075	-	138,041	-	186,408	713,524
Disposals / Transfers	-	-	(26,777)	-	(23,250)	(50,027)
Depreciation for the year	(49,458)	(71,171)	(460,506)	(6,721)	-	(587,856)
31 December 2013						
at written down value	**2,221,035**	**2,624,708**	**4,412,989**	**6,778**	**337,073**	**9,602,583**
1 January 2013						
Cost value	1,983,729	3,046,846	7,579,469	120,901	173,915	12,904,860
Accumulated depreciation	(102,311)	(350,967)	(2,817,238)	(107,402)	-	(3,377,918)
Net carrying amount	**1,881,418**	**2,695,879**	**4,762,231**	**13,499**	**173,915**	**9,526,942**
31 December 2013						
Cost value	2,372,804	3,046,846	7,676,557	120,901	337,073	13,554,181
Accumulated depreciation	(151,769)	(422,138)	(3,263,568)	(114,123)	-	(3,951,598)
Net carrying amount	**2,221,035**	**2,624,708**	**4,412,989**	**6,778**	**337,073**	**9,602,583**

Property, plant and equipment is secured against the Fixed and Floating charge held by the National Australia Bank as set out in Note 14 (b).

Year ended 31 December 2012 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2012						
at written down value	1,931,011	2,757,061	4,988,926	20,240	20,250	9,717,488
Additions / Transfers	-	13,683	505,899	-	153,665	673,247
Disposals / Transfers	-	-	(265,785)	-	-	(265,785)
Depreciation for the year	(49,593)	(74,865)	(466,809)	(6,741)	-	(598,008)
31 December 2012						
at written down value	**1,881,418**	**2,695,879**	**4,762,231**	**13,499**	**173,915**	**9,526,942**
1 January 2012						
Cost value	1,983,729	3,033,163	7,336,642	141,011	20,250	12,514,795
Accumulated depreciation	(52,718)	(276,102)	(2,347,716)	(120,771)	-	(2,797,307)
Net carrying amount	**1,931,011**	**2,757,061**	**4,988,926**	**20,240**	**20,250**	**9,717,488**
31 December 2012						
Cost value	1,983,729	3,046,846	7,579,469	120,901	173,915	12,904,860
Accumulated depreciation	(102,311)	(350,967)	(2,817,238)	(107,402)	-	(3,377,918)
Net carrying amount	**1,881,418**	**2,695,879**	**4,762,231**	**13,499**	**173,915**	**9,526,942**

11. INVESTMENTS IN ASSOCIATE

	Consolidated 2013 $	Consolidated 2012 $
Associated companies	-	-

Name	Principal Activities	Country of Incorporation	Shares	Measurement Method	Ownership Interest 2013	Ownership Interest 2012
Macquarie Medical Imaging Pty Ltd	Imaging centre	Australia	Preference	Equity method	20%	20%

Macquarie Medical Imaging Pty Ltd is a private entity that provides medical imaging facilities for Macquarie University Hospital. The Group's interest in the company represents a strategic investment which provides synergies towards the provision of a fully aligned and integrated diagnostic, therapeutic and research platform.

Macquarie Medical Imaging Pty Ltd	Consolidated 2013 $	Consolidated 2012 $
At 1 January	-	-
Loan to associate	252,640	-
Share of losses after income tax	(252,640)	-
At 31 December	-	-

Extract from the associate's statement of financial position:	Consolidated 2013 $	Consolidated 2012 $
Current Assets	1,767,259	1,028,474
Non-current Assets	12,947,755	4,450,218
Current Liabilities	(6,835,337)	(4,163,628)
Non-current Liabilities	(11,491,874)	(3,249,904)
Net assets	(3,612,197)	(1,934,840)
Share of associate's net assets	(722,439)	(386,968)

Extract from the associate's statement of comprehensive income:	Consolidated 2013 $	Consolidated 2012 $
Revenue	8,258,117	6,247,380
Net Loss	(1,677,355)	(1,516,547)

During the year, Cyclopharm's wholly owned subsidiary Cyclopet Pty Ltd loaned $60,000 (2012: $nil) to Macquarie Medical Imaging Pty Ltd, an imaging joint venture at Macquarie University Hospital. Cyclopet Pty Ltd has a 20% (2012: 20%) interest in Macquarie Medical Imaging Pty Ltd. As the loan amount and trade debtor balance of $192,640 is not expected to be repaid in the short term, they are included as an interest in the associate and a share of the associate's losses has been recognised under the equity method of accounting.

11. INVESTMENTS IN ASSOCIATE (continued)

The share of the associate's loss not recognised during the year was $82,833 (2012: loss of $303,309) and the cumulative share of the associate's loss not recognised as at 31 December 2013 was $515,188 (31 December 2012: $432,355).

The fair value of the Group's investment in Macquarie Medical Imaging Pty Ltd was $nil (2012: $nil).

Contingent liabilities

(i) Cyclopharm Limited and CycloPet Pty Limited have jointly guaranteed with other investors to provide security for the whole Macquarie Medical Imaging Pty Ltd financing facility provided by the Commonwealth Bank of Australia. Cyclopharm Group's liability is limited to the amount that Cyclopharm Limited and CycloPet Pty Ltd are obliged to fund under a Subscription Agreement being 20% of the gross liability amount. The consolidated entities' contingent obligation at balance date was $2,290,580 (2012: $2,658,978).

(ii) Pursuant to a Shareholders' Agreement, CycloPet Pty Limited (a wholly owned subsidiary of Cyclopharm Limited) issued a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI") such that if this option was exercised, Cyclopet would be required to purchase all Redeemable Preference Shares and Ordinary Shares held by the 50% joint venturer for the value of the Redeemable Preference Shares plus any accumulated interest plus $1 for the Ordinary Shares. The estimated cost to CycloPet had the put option been exercised at balance date was $963,828 (2012: $679,621). If the put option were exercised, control of MMI would be transferred to the Group and MMI's financial statements would be consolidated from that date.

12. INTANGIBLE ASSETS

Consolidated	Intellectual Property $	Technegas Development $	FDA Development $	Total $
Balance at				
1 January 2013	124,782	69,673	2,901,983	3,096,438
Additions	7,212	-	478,404	485,616
Amortisation	(24,508)	(30,719)	-	(55,227)
Balance at				
31 December 2013	**107,486**	**38,954**	**3,380,387**	**3,526,827**
31 December 2013				
Non-Current	107,486	38,954	3,380,387	3,526,827
Total	**107,486**	**38,954**	**3,380,387**	**3,526,827**
31 December 2012				
Non-Current	124,782	69,673	2,901,983	3,096,438
Total	**124,782**	**69,673**	**2,901,983**	**3,096,438**

The recoverable amount of FDA and Technegas development costs have been assessed using a discounted cash flow methodology forecasting five years of pre-tax cash flows.

12. INTANGIBLE ASSETS (continued)

The following describes each key assumption on which management has based its value in use calculations:

(a) Five year pre-tax cash flow projections, based upon management approved budgets and growth rates covering a one year period, with the subsequent periods based upon management expectations of growth excluding the impact of possible future acquisitions, business improvement capital expenditure and restructuring.

(b) The discount factor used was 9.3% in 2013 (2012: 7.3%).

(c) The Directors have concluded that the recoverable amount of the FDA development costs and other intangibles exceed their carrying value.

(d) The Company announced to the Australian Stock Exchange in November 2012 that the Technegas Clinical trial required for market entry into the United States had commenced at New York's Presbyterian/Columbia University Medical Center. A total of 750 patients are required for the study which is now expected to be completed in the second half of 2015. Despite screening numerous patients in the study, less than 10 have been imaged to date. The Company wrote to the FDA requesting for modifications in identified elements within the protocol which would allow for a more aggressive enrolment and clinical site roll-out. The FDA has since agreed with the proposed changes. With the modified protocol agreed to by the FDA, new trial sites are being activated during Q1 2014.

(e) The FDA clinical trials are expected to cost the Company US$0.4 million over the next 2 years.

13. TRADE AND OTHER PAYABLES

		Consolidated	
		2013	2012
	Notes	$	$
Trade payables, third parties	(i)	1,126,203	1,142,804
Other payables and accruals	(ii)	743,630	499,342
Total trade and other payables		**1,869,833**	**1,642,146**

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) The non-interest bearing loan, related party loan is payable when called upon. Related party details are set out in the Note 19 Related party disclosures.

14. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	2013	2012
	$	$
Current		
Lease liabilty - secured	16,986	4,310
Bank loan - secured (b)	2,400,000	3,600,000
Interest bearing loans and borrowings (current)	**2,416,986**	**3,604,310**
Non-current		
Lease liabilty - secured	-	16,986
Interest bearing loans and borrowings (non-current)	**-**	**16,986**

14. INTEREST BEARING LOANS AND BORROWINGS (continued)

(a) Financing facilities available:

At reporting date, the following financing facilities had been negotiated and were available:

		Consolidated	
		2013	2012
	Notes	$	$
Total facilities available:			
- secured bank loans, third party		2,400,000	3,600,000
		2,400,000	**3,600,000**
Facilities used at reporting date:			
- secured bank loans, third party	14	2,400,000	3,600,000
		2,400,000	**3,600,000**
Total facilities		2,400,000	3,600,000
Facilities used at reporting date:		(2,400,000)	(3,600,000)
Facilities unused at reporting date:		**-**	**-**

(b) Secured Bank Loans

Cyclopharm has a flexible rate loan provided by the National Australia Bank. The facility expires in December 2014. The facility is secured by a first registered mortgage debenture over Cyclopharm Limited and a guarantee and indemnity from Cyclomedica Australia Pty Ltd, CycloPET Pty Ltd, Allrad No. 28 Pty Ltd and Allrad No. 29 Pty Ltd. The National Australia Bank has a registered Fixed and Floating Charge and First Registered Debenture charges over these companies.

The Group has complied with all its banking covenants for the year ended 31 December 2013.

15. PROVISIONS

	Consolidated
	Employee Entitlements
Consolidated	**$**
Balance at 1 January 2013	**766,044**
Arising during the year	296,378
Utilised	(140,809)
Balance at 31 December 2013	**921,613**
31 December 2013	
Current	800,653
Non-Current	120,960
Total	**921,613**
Number of employees	
Number of employees at year end	38
31 December 2012	
Current	681,588
Non-Current	84,456
Total	**766,044**
Number of employees	
Number of employees at year end	36

16. CONTRIBUTED EQUITY

	Notes	Consolidated 2013 Number	2012 Number	2013 $	2012 $
Issued and paid up capital					
Ordinary shares	(a)	57,448,536	58,128,536	20,296,395	20,299,673
Other contributed equity	(b)	-	-	(5,333,158)	(5,333,158)
Total issued and paid up capital		**57,448,536**	**58,128,536**	**14,963,237**	**14,966,515**
Ordinary shares					
(a) Issued and paid up capital					
Balance at the beginning of the period		58,128,536	223,579,418	20,299,673	18,398,350
Cancellation of shares pursuant to share consolidation	(i)	-	(178,863,536)	-	-
Issue of Long Term Incentive Plan shares	(ii)	-	1,786,849	-	-
(Costs)/Proceeds from Issue of renounceable rights shares	(iii)	-	11,625,805	(3,278)	1,901,323
Cancellation of expired Long Term Incentive Plan shares	(iv)	(680,000)	-	-	-
Balance at end of period		**57,448,536**	**58,128,536**	**20,296,395**	**20,299,673**
(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 4 June 2012, the Company completed a consolidation of its issued capital on a basis that every 5 fully paid ordinary shares was consolidated into 1 fully paid ordinary share as approved by shareholders at the Annual General Meeting held on 24 May 2012.
(ii) 1,786,849 Long Term Incentive Plan shares were issued on 31 October 2012 as set out on Note 22.
(iii) On 14 December 2012, the Company completed a capital raising exercise comprising a pro-rata renounceable entitlement offer to eligible shareholders of 1 share for every 4 shares held by eligible shareholders at an issue price of $0.18 per rights share resulting in the issue of 11,625,805 shares.
(iv) The Company cancelled 680,000 expired Long Term Incentive Plan shares on 2 April 2013.

16. 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 assess the capital structure to take advantage of favourable costs of capital and/or high returns on assets. As the market in continually changing, management may issue dividends to shareholders, issue new shares, increase its short or long term borrowings or sell assets to reduce borrowings.

The Directors did not declare a dividend during the financial year ended 31 December 2013.

Management monitor capital through the gearing ratio (net debt/total capital). Management aim to ensure that the Group's gearing ratio does not exceed 45%. The Group has complied with all banking covenants for the year ended 31 December 2013.

		Consolidated	
		2013	2012
	Notes	$	$
Total interest bearing loans and borrowings		2,416,986	3,621,296
Less cash and cash equivalents	7	(1,220,646)	(2,346,556)
Net debt		**1,196,340**	**1,274,740**
Total equity		15,410,656	15,608,433
Gearing ratio		7.8%	8.2%

17. 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 review 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.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, positions and the mix of fixed and variable interest rates.

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

At 31 December 2013, 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	
	2013	**2012**
	$	**$**
Judgements of reasonably possible movements:		
Loss before income tax		
+1.0% (100 basis points)	(30,000)	(42,000)
-0.5% (50 basis points)	15,000	21,000

The movements in profit are due to possible higher or lower interest costs from variable rate debt and cash balances.

Notes

Continued

17. 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 2013		Weighted average interest rate %	Non interest bearing $	Floating interest rate $	Floating interest maturing in 1 year or less $	 1 to 5 years $	Total $
FINANCIAL ASSETS							
Cash and cash equivalents	7	2.58%	-	1,220,646	-	-	1,220,646
Trade and other receivables	8	n/a	3,628,951	-	-	-	3,628,951
Total financial assets			**3,628,951**	**1,220,646**	**-**	**-**	**4,849,597**
FINANCIAL LIABILITIES							
Trade payables, third parties	13	n/a	1,869,833	-	-	-	1,869,833
Leases, third party	14	16.76%	-	-	16,986	-	16,986
Secured bank loans, third party	14	7.16%	-	-	2,400,000	-	2,400,000
Employee entitlements	15	n/a	921,613	-	-	-	921,613
Total financial liabilities			**2,791,446**	**-**	**2,416,986**	**-**	**5,208,432**
Net exposure			**837,505**	**1,220,646**	**(2,416,986)**	**-**	**(358,835)**

Consolidated Year ended 31 December 2012		Weighted average interest rate %	Non interest bearing $	Floating interest rate $	Floating interest maturing in 1 year or less $	 1 to 5 years $	Total $
FINANCIAL ASSETS							
Cash and cash equivalents	7	3.20%	-	2,346,556	-	-	2,346,556
Trade and other receivables	8	n/a	3,784,293	-	-	-	3,784,293
Total financial assets			**3,784,293**	**2,346,556**	**-**	**-**	**6,130,849**
FINANCIAL LIABILITIES							
Trade payables, third parties	13	n/a	1,642,146	-	-	-	1,642,146
Leases, third party	14	16.76%	-	-	4,310	16,986	21,296
Secured bank loans, third party	14	8.03%	-	-	3,600,000	-	3,600,000
Employee entitlements	15	n/a	766,044	-	-	-	766,044
Total financial liabilities			**2,408,190**	**-**	**3,604,310**	**16,986**	**6,029,486**
Net exposure			**1,376,103**	**2,346,556**	**(3,604,310)**	**(16,986)**	**101,363**

17. 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 its 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's policy is to monitor the maturity of borrowings at all times. At 31 December 2013, 100% of the Group's debt will mature in less than one year (2012: 33%).

Refer to the table above with the heading 17 (a) Cash flow 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 eg. 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 monitors the Group's expected settlement of financial assets and liabilities on an ongoing basis.

The Group monitors rolling forecast of liquidity reserves on the basis of expected cash flow. At balance date the Group has no unused credit facilities (2012: $nil).

Consolidated Year ended		Less than 6 months	6 months to 1 year	1 year to 5 years	Greater than 5 years	Total
31 December 2013	Note	$	$	$	$	$
Trade payables, third parties	13	1,869,833	-	-	-	1,869,833
Leases, third party	14	-	16,986	-	-	16,986
Secured bank loans, third party	14	1,200,000	1,200,000	-	-	2,400,000
		3,069,833	1,216,986	-	-	4,286,819
31 December 2012						
Trade payables, third parties	13	1,642,146	-	-	-	1,642,146
Leases, third party	14	-	4,310	16,986	-	21,296
Secured bank loans, third party	14	600,000	3,000,000	-	-	3,600,000
		2,242,146	3,004,310	16,986	-	5,263,442

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(d) Commodity price risk

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

(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 66% (2012: 60%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 56% (2012: 55%) of costs are denominated in the unit's functional currency.

At 31 December 2013, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated	
	2013	2012
	$	$
United States dollars		
Amounts payable	334,657	103,848
Amounts receivable	18,044	12,236
Euros		
Amounts payable	117,628	179,746
Amounts receivable	2,732,607	2,033,041
Canadian dollars		
Amounts payable	10,244	23,218
Amounts receivable	290,691	558,573
Net exposure	**(2,578,813)**	**(2,297,038)**

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

Fair values

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

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk (continued)

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 exposed to European Euro (Euro), Canadian Dollar (CAD) and US Dollar (USD) movements. The following table details Cyclopharm's sensitivity to a 10% change in the Australian dollar against 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.

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 2013		
Net loss	(237,725)	261,498
Equity (decrease) / increase	(237,725)	261,498
31 December 2012		
Net loss	(169,248)	186,172
Equity (decrease) / increase	(169,248)	186,172

18. COMMITMENTS & CONTINGENCIES

(a) Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated	
	2013	2012
	$	$
Operating Lease Commitments		
Minimum lease payments		
Due not later than one year	449,105	324,413
Due later than 1 year & not later than 5 years	1,250,535	1,107,884
More than 5 years	633,371	620,250
Total operating lease commitments	**2,333,011**	**2,052,547**
Operating lease expenses recognised as an expense during the year	488,765	481,639

- The Group has entered into commercial leases on office space within certain buildings. These leases have an average life of between 3 to 5 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.
- Cyclopet Pty Ltd has entered into a commercial lease for the PET Facility at Macquarie University Hospital. The lease has a term of 10 years and commenced upon commissioning of the Hospital in June 2010.
- The Group also has entered into commercial leases on motor vehicles that have an average life of approximately 3 to 4 years.

(b) Finance lease commitments

		Consolidated	
		2013	2012
	Notes	$	$
Finance Lease Commitments			
Minimum lease payments			
Due not later than one year	(i)	16,986	4,310
Due later than 1 year & not later than 5 years	(i)	-	16,986
Total finance lease commitments		**16,986**	**21,296**

(i) The Group also has entered into a commercial lease on motor vehicles that have a life of 5 years. This lease is secured against the underlying assets.

18. COMMITMENTS & CONTINGENCIES (continued)

(c) Other commitments

	Notes	Consolidated 2013 $	Consolidated 2012 $
The company has the following other commitments:			
Not later than one year	(i) & (ii)	2,400,000	3,600,000
Total		**2,400,000**	**3,600,000**

(i) Cyclopharm has a flexible rate loan provided by the National Australia Bank. The facility expires in December 2014. The facility is secured by a first registered mortgage debenture over Cyclopharm Limited and a guarantee and indemnity from Cyclomedica Australia Pty Ltd, CycloPET Pty Ltd, Allrad No. 28 Pty Ltd and Allrad No. 29 Pty Ltd. The National Australia Bank has a registered Fixed and Floating Charge and First Registered Debenture charges over these companies.

(ii) The Group has complied with all its banking covenants for the year ended 31 December 2013.

(d) Capital commitments

There were no capital commitments as at the date of this report (2012: $nil).

(e) Contingent liabilities

(i) Cyclopharm Limited and CycloPet Pty Limited have jointly guaranteed with other investors to provide security for the whole Macquarie Medical Imaging Pty Ltd financing facility provided by the Commonwealth Bank of Australia. Cyclopharm Group's liability is limited to the amount that Cyclopharm Limited and CycloPet Pty Ltd are obliged to fund under a Subscription Agreement being 20% of the gross liability amount. The consolidated entities' contingent obligation at balance date was $2,290,580 (2012: $2,658,978).

(ii) Pursuant to a Shareholders' Agreement, CycloPet Pty Limited (a wholly owned subsidiary of Cyclopharm Limited) issued a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI") such that if this option was exercised, Cyclopet would be required to purchase all Redeemable Preference Shares and Ordinary Shares held by the 50% joint venturer for the value of the Redeemable Preference Shares plus any accumulated interest plus $1 for the Ordinary Shares. The estimated cost to CycloPet had the put option been exercised at balance date was $963,828 (2012: $679,621). If the put option were exercised, control of MMI would be transferred to the Group and MMI's financial statements would be consolidated from that date.

18. COMMITMENTS & CONTINGENCIES (continued)

(f) Contingent assets

Based on a complaint from CycloPet Pty Ltd, PetNet Australia, a wholly owned subsidiary of the Australian Nuclear Science and Technology Organisation (ANSTO) was subject to an investigation by the Australian Government Competitive Neutrality Complaints Office (AGCNCO), an independent division of the Productivity Commission. The AGCNCO handed down a finding in favour of CycloPet Pty Ltd finding that PetNet Australia, being a government owned enterprise, was in ex ante breach of its competitive neutrality requirements.

ANSTO on behalf of PetNet Australia has refuted this finding and as a consequence CycloPet Pty Ltd has commenced proceedings in the Federal Court claiming breaches to section 52 of the Trade Practices Act 1974 (Commonwealth), and the Competition and Consumer Act 2010.

Based on legal advice, the Directors believe CycloPet Pty Ltd has a strong case. The directors are unable to quantify the damages as at the date of this report.

19. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Cyclopharm and its subsidiaries as stated below.

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 8 Trade and other receivables, Note 13 Trade and other payables and Note 14 Interest bearing loans and borrowings):

CONSOLIDATED		Sales to related parties $	Transactions with related parties $	Amounts owed by related parties $
VA Consulting Pty Ltd	*2013*	-	-	-
	2012	-	2,575	-
Macquarie Medical Imaging	*2013*	100,006	60,000	192,640
	2012	92,715	-	82,633
CVC Managers Pty Ltd	*2013*	-	-	-
	2012	-	138,115	-

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, no payments (2012: $2,575) were made to VA Consulting Pty Ltd (an entity controlled by Mr Sharman). All payments related to Mr Sharman's role as a non-executive director. Mr Sharman resigned from the Board on 29 February 2012.
- Cyclopet Pty Ltd, a wholly owned subsidiary of Cyclopharm has a 20% interest in Macquarie Medical Imaging. Cyclopet manufactures products that are sold to Macquarie Medical Imaging. Cyclopet Pty Ltd loaned $60,000 (2012: $nil) to Macquarie Medical Imaging during the year. As the loan amount and trade debtor balance of $192,640 is not expected to be repaid in the short term, they are included as an interest in the associate and a share of the associate's losses has been recognised under the equity method as disclosed in Note 11.
- During the year, no payments (2012: $138,115) were made to CVC Managers Pty Limited. The prior year's amount comprised of underwriting fees pertaining to the Company's capital raising exercise. Mr Gould receives director's fees, superannuation and other benefits from CVC Limited. CVC Managers Pty Limited is a wholly owned subsidiary of CVC Limited.

19. RELATED PARTY DISCLOSURES (continued)

Controlled Entities

Name	Note	Country of Incorporation	Percentage of equity interest held 2013	2012
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 Germany GmbH	5	Germany	100%	100%
Cyclomedica Canada Limited	4	Canada	100%	100%
Allrad No 28. Pty Ltd	2	Australia	100%	100%
Allrad No 29. Pty Ltd	2	Australia	100%	100%

Notes

1. Cyclopharm Limited is the ultimate parent entity in the wholly owned group.
2. Audited by Russell Bedford NSW, Australia.
3. Audited by Moore Stephens Nathans, Republic of Ireland.
4. Audited by Schwartz Levitsky & Feldman LLP, Toronto, Canada.
5. Audited by Bilzanzia GmbH Wirtschaftsprufungsgesellschaft, Germany

20. EVENTS AFTER THE BALANCE DATE

No 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 Group, financial position or the state of affairs of the Group in future financial periods.

21. AUDITORS' REMUNERATION

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

	Consolidated	
	2013	2012
	$	$
Amounts received or due and receivable by Russell Bedford NSW and associated entities for:		
Audit and review of the financial statements	100,625	99,013
Other services:		
- tax compliance	10,000	10,000
- share registry	14,940	22,068
	125,565	**131,081**
Amounts received or due and receivable by auditors other than Russell Bedford NSW for:		
Audit of the financial statements	74,577	61,105
Other services	10,524	12,676
	85,101	**73,781**

22. 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	
	2013	2012
	$	$
Expense arising from equity-settled share-based payment transactions (note 4)	13,032	3,354

The share based payment reserve to 31 December 2013 was $338,585 (2012: $325,553).

22. SHARE BASED PAYMENT PLANS (continued)

(b) Type of share based payment plans

The share-based payment plan is described below. There have not been any modifications to the Long Term Incentive Plan ("Plan") following its approval by members at the Annual General Meeting held on 8 May 2007.

Shares

Long Term Incentive Plan ("Plan") Shares ("Shares") are granted to certain executive 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. 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 an option holder 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.

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 in which the benefit is gained. No benefit to the employee arises from the Plan Shares as a corresponding loan applies to the issued Shares (although not required to be accounted for in the Financial Statements) instead the employee benefit is deemed to be the implied option ("Implied Option") arising from the Plan.

The International Financial Reporting Council have determined that where employee shares are issued under a non-recourse loan payment plan, the loan assets and the increment to share capital should not be recognised at grant date but rather, the transactions be treated as share options. Consequently the value of the discount which has been determined using a binomial pricing model will be charged to the Statement of Comprehensive Income over the vesting period. Other increments to share capital will be recognized as the share loans are settled by the relevant employees.

22. SHARE BASED PAYMENT PLANS (continued)

(c) Summary of shares granted

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

	Consolidated 2013 Number	Consolidated 2012 Number
Balance at the beginning of the year	1,786,849	700,000
Granted during the year	-	1,786,849
Exercised during the year	-	-
Lapsed during the year	-	(700,000)
Balance at the end of the year	**1,786,849**	**1,786,849**

(d) 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:

Exercise price per implied option	$0.35	$0.50
Number of recipients	1	16
Number of implied options	447,159	1,339,690
Grant Date	31/10/2012	31/10/2012
Dividend yield	-	-
Expected annual volatility	52%	52%
Risk-free interest rate	8.00%	8.00%
Expected life of implied option (years)	2 years	2 years
Fair value per implied option	$0.02	$0.01
Share price at grant date	$0.17	$0.17
Model used	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 Implied Options arising from the Plan are not listed and as such do not have a market value.

23. PARENT ENTITY DISCLOSURE

	2013 $	2012 $
(i) **Financial Position**		
Assets		
Current Assets	575,632	1,715,870
Non-current Assets	16,593,162	18,607,570
Total Assets	**17,168,794**	**20,323,440**
Liabilities		
Current Liabilities	2,471,389	3,726,756
Non-current Liabilities	1,968,948	1,063,611
Total Liabilities	**4,440,337**	**4,790,367**
Net assets	**12,728,457**	**15,533,073**
Equity		
Contributed equity	15,163,767	15,167,045
Employee equity benefits reserve	338,585	325,553
Retained Profits	(2,773,895)	40,475
Total Equity	**12,728,457**	**15,533,073**
(ii) **Financial Performance**		
Loss for the year	(2,814,370)	(162,942)
Other comprehensive income	-	-
Total Loss for the year	**(2,814,370)**	**(162,942)**

Contingent liabilities

Cyclopharm Limited and CycloPet Pty Limited have jointly guaranteed with other investors to provide security for the whole Macquarie Medical Imaging Pty Ltd financing facility provided by the Commonwealth Bank of Australia. Cyclopharm Group's liability is limited to the amount that Cyclopharm Limited and CycloPet Pty Ltd are obliged to fund under a Subscription Agreement being 20% of the gross liability amount. The consolidated entities' contingent obligation at balance date was $2,290,580 (2012: $2,658,978).

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