Cyclopharm Limited
Annual Report 2013

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

Contents

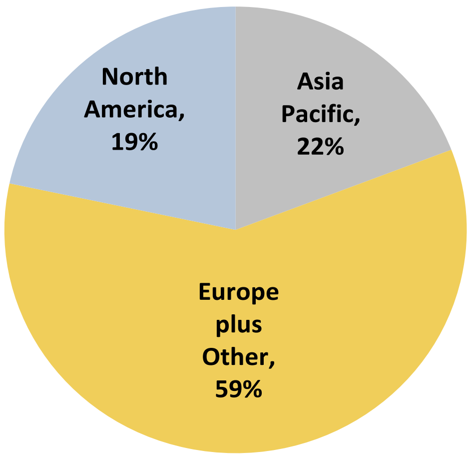
FINANCIAL HIGHLIGHTS

Full Year ending 31 December		2011	2012	2013	% Change
Sales Revenue	$'000	10,315	10,744	11,882	10.6%
Loss Before Tax	$'000	(1,192)	(1,011)	(9,786)	(868.1%)
Loss After Tax	$'000	(956)	(1,044)	(9,640)	(823.3%)
Loss Per Share	cents	(0.55)	(0.86)	(16.73)	(1845.3%)

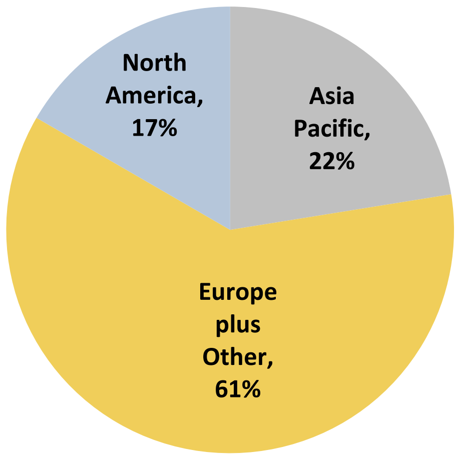
Sales Revenue for the Full Year ending 31 December		2011	2012	2013	% Change
Technegas Division	$'000	9,466	9,368	10,457	11.6%
Molecular Imaging Division	$'000	849	1,376	1,425	3.6%
Total Sales Revenue	$'000	10,315	10,744	11,882	10.6%

Net Profit/(Loss) Before Tax for the Full Year ending 31 December		2011	2012	2013	% Change
Technegas Division	$'000	1,616	1,106	2,008	81.6%
Molecular Imaging Division	$'000	(2,808)	(2,117)	(11,794)	(457.2%)
Total Net Profit/(Loss) Before Tax	$'000	(1,192)	(1,011)	(9,786)	(868.1%)

Sales by Region - 2012



Sales by Region - 2013



Chairman's Letter

31 March 2014

Dear Shareholder

I regret to advise that a decision has been taken by your Board to cease commercial production at its molecular imaging business as from the end of April 2014, which decision was announced to the ASX on 28 March 2014.

Shareholders would be aware, the viability of the Molecular Imaging Division has been adversely affected by the anticompetitive actions of Petnet, a wholly owned subsidiary of the Australian Nuclear Science and Technology Organisation (ANSTO), who have been using taxpayer funds to sell its products at prices that are not commercially viable. This practice continued despite a finding by the Productivity Commission in 2012 that ANSTO/PETNET was in ex-ante breach of competitive neutrality rules. Consequently, in late 2012 the Company progressed claims against ANSTO in the Federal Court.

The decision to shut down our cyclotron operation was forced upon us when it became known that Petnet was entering into new contracts at prices considerably lower than those already raised in our claim as predatory. A date for hearing of the case has been listed for hearing on 1st September 2014, in which the Company will be also be seeking substantial damages.

The Group recorded an overall result of a Net Loss of $9,640,117 largely due to an impairment charge of $8,860,163 writing down the Molecular Imaging division's assets as a result of the decision to cease commercial production. Excluding the impairment charge, ongoing operating losses in the Molecular Imaging Division was offset by a substantial improvement in the profitability of our core Technegas division, which recorded an outstanding profit before tax of $2.0 million for the year. The growth in Technegas was driven by a combination of improved sales, an expansion in margins assisted by favourable foreign exchange movements, and stable operating costs. Your Board is confident that the potential financial returns to shareholders from the Technegas division remains significant. These returns will be driven by the Company's strategy of:

- pursuing strong organic sales growth in existing markets;
- entering new high growth markets; and
- identifying new applications for the use of the division's products.

During 2013, Cyclopharm made measurable progress on each element of this strategy. For example, we recorded increased sales volumes in every market in which we operate. In October 2013, approval was received to begin sales of the Technegas Plus Generator in Japan. We are also progressing with the FDA approval process to enter the USA market, and are currently working on an alternative approach which we are hopeful should speed up the FDA approval. We are also continuing to develop new indications for Technegas to include Chronic Obstructive Pulmonary Disease and Lung Cancer.

In April 2013, we announced the development of our patented Nuclear Medicine technology – Ultralute™. Ultralute™ extends the useful life of Mollybdenumm-99 generators, the most common isotope used in nuclear medicine globally, by an additional 50%. Initial testing of Ultralute™ has produced excellent results. Market interest in the potential of the product to dramatically improve the efficiency of nuclear medicine is strong and growing. Consequently, your Board is very excited by the potential of Ultralute™ to form the basis of Cyclopharm's next stage of growth and to deliver outstanding long term returns to shareholders.

Chairman's Letter

Continued

The closure of the cyclotron facility will enable Cyclopharm to focus its financial and management resources on growing its highly profitable and cash-generating Technegas business in international markets and continuing the development of its patented Ultralute™ technology. In late October 2013, I was appointed Acting Chairman of the Board. The previous Chairman, Mr Vanda Gould, stepped down from the role as he advised he was unable to dedicate sufficient time to the role due to the demands on his time from other business and personal interests. However, we are pleased that Mr Gould has remained on the Board as a Non-Executive Director and continues to make a significant contribution to the Board in that role.

I want to formally thank the Cyclopharm staff, led by Mr James McBrayer for their achievements and continuing efforts in progressing the company's strategy in 2013. And on behalf of the Board, I would like to thank shareholders for their ongoing support.

Yours faithfully,

David Heaney
Acting Chairman

Managing Director's Review

Features

Dear Shareholders,

It is with mixed feelings that I share with you our results for 2013. I am pleased to advise that all of our businesses demonstrated growth during the past year. We continued to work hard to commercialise our new patented Ultralute^{TM} technology which will enable us to further diversify our income stream in future financial years.

Sales volumes and gross margins from our core Technegas business grew strongly over the year, driven by a weakening in the Australian dollar exchange rate and expansion of our presence in the Canadian and Asian markets.

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 compared with the prior comparable period.

Our cyclotron facility at Macquarie University Hospital (MUH) recorded solid sales, with the number of Fluoro Deoxy Glucose (FDG) patient doses sold improving by 11% for the year. However, the anticompetitive prices established by Petnet, the government owned subsidiary of ANSTO, have made competition in the sector impossible to compete commercially. It is with great regret that as a result of ongoing significant financial challenges associated with the ongoing anti-competitive practices of ANSTO/Petnet, the Company has decided to cease production at its cyclotron facility in late April 2014.

FINANCIAL REVIEW

In 2013, we expanded our overall offering through diversification. Nevertheless, Technegas 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)	(9,786)
Add back: MMI share of loss of associate	-	(253)
Add back: Impairment charge - Molecular Imaging property, plant and equipment	-	(8,860)
Add back: Molecular Imaging Division operating loss	(2,117)	(2,681)
Technegas Division Net Profit Before Tax	1,106	2,008

The combined sales of the Company's key products, TechnegasPlus generators (Generators) and Patient Administration Sets (PAS), of $10.46 million was 11.6% higher than the prior year result of $9.37 million, 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% supported by price increases and foreign exchange benefits. 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.

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

Foreign currency movements beneficially 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 and were 1.6% lower than the $4.97 million incurred in 2012.

The Molecular Imaging business operating as Cyclopet, contributed revenues of $1.43 million (2012: $1.38 milion) and incurred a loss before tax of $11.79 million (2012: $2.12 million). Cyclopet's loss, 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, includes an impairment charge of $8,860,163 writing down the Molecular Imaging division's assets as a result of the decision to cease commercial production at its cyclotron facility, legal fees of $738,207 which have to date been expended on the proposed court action against ANSTO and the shared losses of MMI amounting to $252,640 (2012: $nil).

For these reasons, the Company reported a loss before tax of $9,786,168 (2012: loss before tax of $1,010,861). The group's net loss after tax for the year was lower at $9,640,117 (2012: loss of $1,044,127) due to the recognition of a tax benefit totalling $146,051, primarily derived from an R&D tax incentive offset of $297,176 received during the year.

As previously announced, the Company will be ceasing production at its cyclotron facility at the end of April 2014 to focus on the profitable Technegas business and Ultralute™. However, the Company will continue to utilise the facility at Macquarie University Hospital to progress some of its research and development activities until a longer term use for the facility is ascertained to include the potential sale of the cyclotron facility asset.

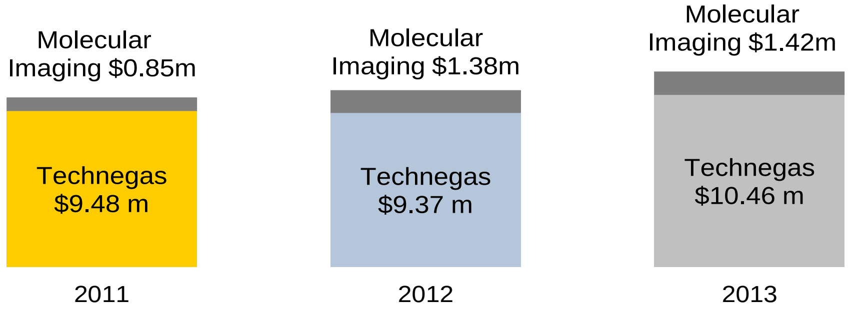
OPERATING REVIEW

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 million patients have benefited from the Technegas system. As in prior years, the company continues to face similar challenges from strong competition from Computed Tomography Pulmonary Angiogram ("CTPA"); however, with the numerous contra-indications attributed to CTPA along with 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 once again generated strong sales and cash flows in 2013.

Revenue Composition

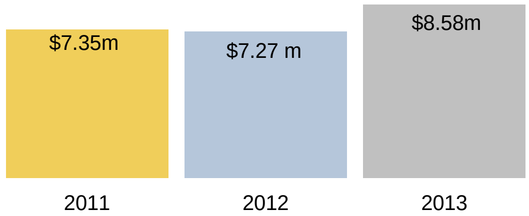
Sales revenue of $10.46 million from Technegas's key products, Generators and PAS, showed a significant 11.6% growth over the prior year (2012: $9.37 million). Gross profit margins as a percentage of sales increased from 74% to 75%. PAS or consumable revenue, representing 82% of the segment's revenue, was 18% higher at $8.58 million for the current period compared to 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 foreign exchange benefits.



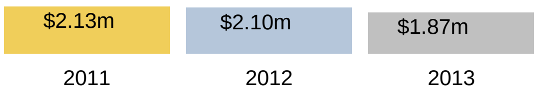
Group Revenue by segment

Managing Director's Review
Continued

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 $1.87 million (2012: $2.10 million), or 10.9% lower than the prior year. The impact of the reduction in Technegas Plus Generator units sold was lessened by a $0.16 million (17%) rise in service revenue to $1.04 million (2012: $0.89 million).



Group, PAS Revenue



Group, Technegas and Other

New Drug Application to sell Technegas in the USA

Cyclopharm announced to the Australian Securities 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. Despite screening numerous patients thus far, fewer than 10 have been imaged to date. The Company wrote to the Food and Drug Administration (FDA) in June 2013 requesting 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 company will provide the market with a projected trial completion date once the frequency of patient recruitment is established based on the updated protocol together with the expanded clinical trial sites.

In parallel with the expansion of trial sites targeted to accelerate patient recruitment, the company is also exploring additional strategies to expedite United States market approval. These alternate strategies may lead to further amendments to the current protocol. 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 determined to continue to drive for FDA approval but will ensure we do so cautiously and prudently.

REGIONAL REVIEW

Europe

Approximately 61% of Technegas's sales revenue is derived from Europe (2012: 59%). In 2013 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 Euro. Pleasingly, unit sales have continued to grow in spite of the prolonged European recession.

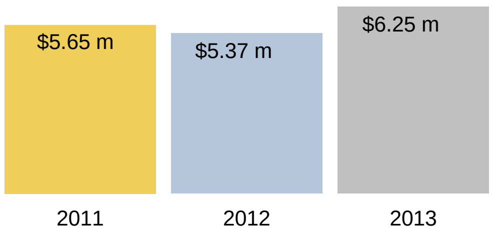
North America

Our North America region is at this stage confined to Canada where we 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 (2012: 757 PAS boxes). On a country basis, Canada is now the second largest Technegas market globally. Our Canadian business recorded total revenue of $1.74 million (2012: $2.03 million) in 2013. The Directors are 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 regulatory approval to market Technegas products there 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 (year-on-year) was 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.

North America, Total Revenue



Europe, Total Revenue

Asia Pacific, Total Revenue

New Drug Application

Cyclopharm continues 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 the pulmonary embolism market we currently occupy.

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. 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.

In May 2013 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 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.

Site initiation at five hospitals in China was completed in February 2014 and patient recruitment has commenced and I look forward to providing you with 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 $1.43 million (2012: $1.38 million) 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 ANSTO. The overall loss before tax for the year increased by 456% to $11.79 million (2012: loss before tax of $2.12 million) due to an impairment charge of $8,860,163 writing down the Molecular Imaging division's assets as a result of the decision to cease commercial production at its cyclotron facility, legal fees of $738,207 arising from the proceedings explained below and shared losses of MMI amounting to $252,640 (2012: $nil). Cyclopet lent $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, in April 2012 the Australian Government Competitive Neutrality Complaints Office (AGCNCO), an independent division of the Productivity Commission, found 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 this. As a consequence, Cyclopet 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.

PETNET's anticompetitive practices have continued despite the Productivity Commission finding, with PETNET entering into new contracts at prices considerably lower than those already raised in our claim as predatory. Reflecting this, the Directors have determined that, in order to protect shareholder value, it will cease commercial production at its molecular imaging business at the end of April 2014. The company will continue to utilise the cyclotron facility to progress some of its research and development activities until a longer term use for the facility is ascertained to include the potential sale of the cyclotron asset.

The Directors thank Cyclopet's employees, customers and partners for their support and will work closely with each of them throughout this transition to minimise any impact on them.

In addition to the cessation of the commercial cyclotron operations at Macquarie University Hospital, in August 2012 Cyclopharm notified the market of our intention to establish a cyclotron facility in Brisbane. As a result of the uneconomic market conditions established by the actions of ANSTO/Petnet in this sector, the Brisbane cyclotron is now deemed financially unviable and the company will not be moving forward with the project at this time.

Notwithstanding ceasing production at Cyclopet, we will continue to pursue the Company's claim against ANSTO in the Federal Court. The matter has been set down for a three week hearing commencing on 1 September 2014 before His Honour Justice Wigney.

It should be noted that before Cyclopharm undertook its investment 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 any interest in reinvesting 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 taxpayer funds towards much needed research and development.

Whilst this matter has not yet been the subject of a full hearing in the Federal Court , 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 taxpayer funds by a government-owned enterprise used to compete against the private sector.

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™

In April 2013, we were delighted to announce the development and patent of a new Nuclear Medicine technology – Ultralute™. Cyclopharm's Ultralute™ 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™ 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.

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 half of 2014.

Managing Director's Review
Continued

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

As a result of the decision to cease production at Cyclopet, Cyclopharm has recorded a non-cash asset write down of $8.86m in its 2013 accounts and expects to make a provision for closure-related expenses, including redundancy costs, of approximately $0.11m after tax in 2014.

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.

Following closure of the Cyclotron business, the Company anticipates its cash flows and profitability will materially improve. The Company will be in a significantly stronger position to realise the potential of its highly profitable and cash-generating Technegas business in international markets and continuing the development of its patented Ultralute™ technology.

Notwithstanding the above, I wish to express my gratitude to my staff and management team and to our trading partners. I also take this opportunity to note my appreciation to the Acting Chairman, Mr David Heaney, and my fellow Directors, Mr Vanda Gould and Mr Henry Townsing who rejoined the Board on 16 September 2013. Lastly I want to thank you, our Shareholders for your continued support and patience.

James McBrayer
Managing Director and CEO

Directors' Report

The Directors of Cyclopharm submit their report for the year ended 31 December 2013.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Mr D J Heaney – Non Executive Chairman (Independent)
Mr Heaney was appointed to the Cyclopharm Board on 20 November 2007 and is currently the Acting Chairman of the Audit, Remuneration and Board Nominations Committees.

Mr Heaney is currently an executive director of Thompson Partners Pty Ltd and a non-executive director of Colorpak Limited (since 24 January 2004). Mr Heaney also served as a director of Mariner Financial Limited between 27 May 2005 and 12 May 2009 and as a director of Dromana Estate Limited between 10 July 2009 and 15 December 2011.

Mr Heaney has more than 40 years experience in all aspects of wholesale banking and finance, gained in senior management roles with National Australia Bank Limited and subsidiary companies in both Australia and the US.

Mr Heaney lives in Melbourne and is 69 years old.

Mr V R Gould – Non Executive Director
M Com, FCA, FCPA, B Com
Mr Gould has been a member of the Board since 21 November 2005. He was the Group Non-Executive Chairman and Chairman of the Audit, Board Nominations, and Remuneration Committees of the Group until his voluntary redesignation on 23 October 2013.

Mr Gould has broad business experience having practiced as a chartered accountant for more than 30 years. He is also chairman of Vita Life Sciences Limited (listed on the ASX) and several other private companies and educational establishments.

Mr Gould lives in Sydney and is 65 years old.

Mr J M McBrayer – Managing Director and Company Secretary
BSPharm, GDM, FAICD, AIM
Mr McBrayer has been a member of the Board since 3 June 2008 at which time he accepted the role of Managing Director. Mr McBrayer serves as a member of the Board Nominations Committee.

Mr McBrayer has more than 27 years experience in nuclear medicine and is a trained Nuclear Pharmacist. Mr McBrayer held the role of Managing Director at Lipa Pharmaceuticals, Australia's largest contract manufacturer of over-the-counter products and senior management positions with Brambles Cleanaway business and Syncor, the world's largest radioactive diagnostic and therapeutic pharmaceutical provider.

Mr McBrayer lives in Sydney and is 48 years old.

DIRECTORS (CONTINUED)

Mr H G Townsing –Non Executive Director (Independent)
Dip Val
Mr Townsing was reappointed to the Board on 16 September 2013. He had previously served as a member of the Board from 22 November 2005 to 27 February 2009.

Mr Townsing has over 20 years experience in company finance and private equity. Mr Townsing is also a Non-Executive Director of Vita Life Sciences Limited (listed on the ASX).

Mr Townsing lives in Melbourne and is 58 years old.

Mr J M McBrayer – Company Secretary
Mr McBrayer was appointed as Company Secretary on 25 March 2011 following the resignation of the previous company secretary, Mr William Richardson.

Interests in the shares of the Company and related bodies corporate

The movement during the reporting period in the number of ordinary Cyclopharm shares (no options are on issue) held directly, indirectly or beneficially, by Directors and key management personnel, including their personally-related entities is as follows:

	Interest	31 December 2012	Ceased to control	On market purchases	31 December 2013
		No. of shares	No. of shares	No. of shares	No. of shares
Directors					
Mr VR Gould*	NBI	1,645,750	(7,650)	540,795	2,178,895
Mr DJ Heaney	BI	85,872	-	-	85,872
Mr JS McBrayer	BI	1,373,294	-	-	1,373,294
Mr JS McBrayer	NBI	60,000	-	-	60,000
Mr H Townsing**	NBI	229,786	-	-	229,786
		3,394,702	(7,650)	540,795	3,927,847
Key Management Personnel					
Prof N Morcos	BI	479,954	-	-	479,954
Mr C Buttigieg	BI	26,830	-	-	26,830
Ms L McLauchlin	BI	26,830	-	-	26,830
Ms C Cheah	BI	13,415	-		13,415
Mr G Phillips	BI	13,415	-	-	13,415
		560,444	-	-	560,444

NBI: Non beneficial interests
BI: Beneficial interest

*Mr Gould assessed that he did not have control of the voting rights of those shares as the shares are held by his adult children.

**Mr Townsing was appointed on 16 September 2013 and the opening balance of his related interest reflects the amended Initial Director's Interest Notice lodged with the ASX on 6 March 2014.

DIVIDENDS

No dividends were declared or paid during the financial year.

The balance of franking credit available for future dividend payments is nil.

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the consolidated entity consisted of the manufacture and sale of medical equipment and radiopharmaceuticals, including associated research and development. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

For the financial year, the economic entity incurred a consolidated loss after tax attributable to members of $9,640,117 which was 823.3% higher than the previous year's loss after tax of $1,044,127.

The Molecular Imaging business incurred a Loss after tax of $11,794,660 (2012: $2,408,718). This was primarily attributed to the impact of the Australian Nuclear Science and Technology Organisation's (ANSTO's) competitive actions focused in the NSW market, an impairment charge of $8,860,163 writing down the Molecular Imaging division's assets as a result of the decision to cease commercial production at its cyclotron facility, legal fees of $738,207 which have to date been expended on the proposed court action against ANSTO, combined with the share of 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.

This loss was compensated by the Technegas division which achieved a strong 57.9% increase in Profit after tax of $2,154,543 (2012: $1,364,591) from an 11.6% growth in the combined sales of the Company's key products, TechnegasPlus generators and Patient Administration Sets, assisted by favourable foreign exchange impacts. The improvement was also 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.

Financial Position

Net assets have decreased from $15,608,433 as at 31 December 2012 to $6,550,493 as at 31 December 2013 due to the net loss of $9,640,117 for the year. This was offset by an improvement of $572,423 in the foreign currency translation reserve as a result of the weakening of the Australian Dollar against the Euro. During the year, the Group repaid $1.2m of its bank borrowings and FDA development costs included in Intangible Assets increased by $478,404 to $3,380,387.

During the next 12 months, the consolidated entity expects to expend $0.36m on FDA clinical trials and $2.4m on bank loan repayments. 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 half of 2014.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Shares cancelled and issued during the year

The Company cancelled 680,000 expired Long Term Incentive Plan shares on 2 April 2013. There were no other shares cancelled and issued during the year.

Banking Facilities

The National Australia Bank renewed the funding of Cyclopharm's debt facility with a flexible rate loan which 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.

Prior to the writedown of the cyclotron facility asset announced on 28 March 2014, the Company was in full compliance with its banking covenants. As a result of recognising the $8,860,163 impairment charge to the property, plant and equipment of the Molecular Imaging division, the Company has breached its banking covenants relating to capital adequacy, Earnings Before Interest and Taxes (EBIT) and total assets. The Company is in discussion with the bank with respect to the breaches at this time and is awaiting a response.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 28 March 2014, the Company announced to the ASX the closure of the cyclotron facility at the end of April 2014. Over the past few years, the Cyclopet business has faced significant financial challenges associated with the ongoing anti-competitive practices of the Australian Nuclear Science and Technology Organisation (ANSTO) which, through its wholly-owned Petnet business, continues to sell its products into the NSW market at prices that are not commercially viable.

The decision to cease commercial production at its cyclotron facility was forced upon the Company when it became known that Petnet was entering into new contracts at prices considerably lower than those already raised in the Company's claim as being predatory.

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

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Technegas

As the USA represents such a major growth opportunity, your Directors will continue to sensibly pursue entry into this market. Investigational sites will be progressively added throughout 2014 and 2015 to meet the trial's target of 750 patients.

Molecular Imaging

As a result of the decision to cease production at Cyclopet, Cyclopharm has recorded a non-cash asset write down by $8.86m to nil in its 2013 accounts due to the uncertainty of future value of the Cyclotron pending the outcome of the court case and exploration of alternative methods of realising value of this asset including sale to a third party. The Company expects to make a provision for closure-related expenses, including redundancy costs, of approximately $0.11m after tax in 2014.

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. Your Directors are pleased that a court date of 1 September 2014 has now been set and look forward to the resolution of this matter.

Ultralute™

We are now moving toward the regulatory approval process of the Ultralute™ technology while in parallel entering in discussions with potential commercial partners. Your Directors are excited about its potential to form the basis of Cyclopharm's next stage of growth given strong global industry interest in our Ultralute™ technology.

ENVIRONMENTAL REGULATIONS

Cyclopet Pty Limited, a member of the consolidated group's operations is subject to significant environmental regulations under the Radiation Control Act, 1990 by the Department of Environment, Climate Change and Water. The Board believe that the consolidated group has adequate systems in place for the management of its environmental requirements as they apply to the consolidated group.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

In accordance with the Company's Constitution, all Directors have been elected by members at the Annual General Meeting (AGM) with the exception of Mr McBrayer and Mr Townsing. Mr McBrayer was appointed as Managing Director on 3 June 2008 and under the Constitution is exempt from election by members. Mr Townsing will retire and be eligible for re-election at the forthcoming AGM.

INDEMNIFICATION AND INSURANCE OF OFFICERS

In accordance with clause 49.1 of Cyclopharm's constitution and section 199A of the Corporations Act 2001 the Company has resolved to indemnify its Directors and Officers for a liability to a third party provided that:

1. the liability does not arise from conduct involving a lack of good faith; or

2. the liability is for costs and expenses incurred by the Director or Officer in defending proceedings save as not permitted by law.

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the Directors against legal costs incurred in defending proceedings for conduct involving:

a) a wilful breach of duty; or
b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid for the year ending 31 December 2014 are $20,741 (For the year ended 31 December 2013: $17,198).

The Officers of the Company covered by the insurance policy include the Directors, the Company Secretary and Executive Officers. The indemnification of the Directors and Officers will extend for a period of at least 6 years in relation to events taking place during their tenure (unless the Corporations Act 2001 otherwise precludes this time frame of protection.)

The liabilities insured include costs and expenses that may be brought against the Officers in their capacity as Officers of the Company that may be incurred in defending civil or criminal proceedings that may be brought against the Officers of the Company or a controlled entity.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 27.

Fees of $14,940 (2012: $22,068) have been paid for share registry services and fees of $10,000 (2012: $10,000) for taxation services to an associate of Russell Bedford NSW for the year ended 31 December 2013 for non-audit related services. The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or any related body corporate.

REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines the director and executive remuneration arrangements of the Company and the group in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 Related Party Disclosures, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report Key Management Personnel of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company, and includes the five executives in the parent and the group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the parent and the group.

Director and Executive Remuneration Table

Consolidated	Short-term employee benefits Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Post employment benefits Superannuation $	Share-based payment $	Total $	Performance related %
2013							
Directors							
Vanda Gould Non-Executive Director	41,200	-	-	-	-	**41,200**	0%
David Heaney Non-Executive Director	31,827	-	-	-	-	**31,827**	0%
Henry Townsing * Non-Executive Director	9,330	-	-	-	-	**9,330**	0%
Executive Director							
James McBrayer Managing Director	293,990	-	-	25,933	10,434	**330,357**	3%
Total Directors' Compensation	**376,347**	**-**	**-**	**25,933**	**10,434**	**412,714**	**3%**

* Mr Townsing was appointed on 16 September 2013.

Director and Executive Remuneration Table

Consolidated	Short-term employee benefits Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Post employment benefits Superannuation $	Share-based payment $	Total $	Performance related %
2013							
Key Management Personnel							
Nabil Morcos Chief Operating Officer	197,384	-	-	18,011	1,565	**216,960**	1%
Gary Somerville Quality and Regulatory Manager	124,024	-	-	11,317	-	**135,341**	0%
Caryn Cheah Financial Controller	49,047	-	-	4,475	78	**53,600**	0%
Graham Phillips Finance Manager	118,028	-	-	11,048	78	**129,154**	0%
Charles Buttigieg Sales and Marketing Manager - Australia	193,516	-	-	17,682	157	**211,355**	0%
Bjorn Altmann General Manager – Europe	142,857	-	-	-	-	**142,857**	0%
Lynn McLauchlin * General Manager – Canada	149,630	25,015	-	-	157	**174,802**	14%
Total Key Management Personnel's Compensation	**974,486**	**25,015**	**-**	**62,533**	**2,035**	**1,064,069**	**3%**
Total Compensation	**1,350,833**	**25,015**	**-**	**88,466**	**12,469**	**1,476,783**	**3%**

* Ms McLauchlin is employed on a rolling contract and her bonus is based on achieving sales targets combined with a discretionary portion based on general management performance.

Director and Executive Remuneration Table

Consolidated	Short-term employee benefits Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Post employment benefits Superannuation $	Share-based payment $	Total $	Performance related %
2012							
Directors							
Vanda Gould Non-Executive Director	41,200	-	-	-	-	**41,200**	0%
David Heaney Non-Executive Director	31,827	-	-	-	-	**31,827**	0%
John Sharman * Non-Executive Director	2,340	-	-	-	-	**2,340**	0%
Executive Director							
James McBrayer Managing Director	292,476	-	-	25,514	3,354	**321,344**	1%
Total Directors' Compensation	**367,843**	**-**	**-**	**25,514**	**3,354**	**396,711**	**1%**

* Mr Sharman resigned on 29 February 2012.

Director and Executive Remuneration Table

Consolidated	Short-term employee benefits: Salary & Fees $	Short-term employee benefits: Cash Bonus $	Short-term employee benefits: Non-monetary benefits $	Post employment benefits: Superannuation $	Share-based payment $	Total $	Performance related %
2012							
Key Management Personnel							
Nabil Morcos Chief Operating Officer	194,024	-	-	17,462	-	**211,486**	0%
Gary Somerville Quality and Regulatory Manager	121,914	-	-	10,972	-	**132,886**	0%
Caryn Cheah Financial Controller	50,997	-	-	4,859	-	**55,856**	0%
Graham Phillips Finance Manager	116,019	-	-	10,441	-	**126,460**	0%
Charles Buttigieg Sales and Marketing Manager - Australia	152,250	-	-	13,702	-	**165,952**	0%
Bjorn Altmann General Manager – Europe	131,103	-	-	-	-	**131,103**	0%
Lynn McLauchlin General Manager – Canada	146,396	14,507	-	-	-	**160,903**	9%
Total Key Management Personnel's Compensation	**912,703**	**14,507**	**-**	**57,436**	**-**	**984,646**	**1%**
Total Compensation	**1,280,546**	**14,507**	**-**	**82,950**	**3,354**	**1,381,357**	**1%**

Cyclopharm Limited

Details of Managing Director and Key Management Personnel's Share-based payment

Managing Director / Key Management Personnel	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share	Amount payable	Term	Expiry date	Performance Hurdle
James McBrayer	894,317	$0.010	$0.50	$447,158.50	2 years	31/10/2014	Employment with the Cyclopharm Group until 31 October 2014
James McBrayer	447,159	$0.020	$0.35	$156,505.65	2 years	31/10/2014	Employment with the Cyclopharm Group until 31 October 2014
Nabil Morcos	268,295	$0.010	$0.50	$134,147.50	2 years	31/10/2014	33% on approval of a business case by the Board, 33% when revenues are produced and 33% when a positive return on investment is achieved
Caryn Cheah	13,415	$0.010	$0.50	$6,707.50	2 years	31/10/2014	50% on lodgement of 2012 Annual and Half Year Report and 50% on lodgement of 2013 Annual and Half Year Report
Graham Phillips	13,415	$0.010	$0.50	$6,707.50	2 years	31/10/2014	50% on lodgement of 2012 Annual and Half Year Report and 50% on lodgement of 2013 Annual and Half Year Report
Charles Buttigieg	26,830	$0.010	$0.50	$13,415.00	2 years	31/10/2014	50% on achievement of 2012 revenue and gross margin budget and 50% on achievement of 2013 revenue and gross margin budget
Lynn McLauchlin	26,830	$0.010	$0.50	$13,415.00	2 years	31/10/2014	50% on achievement of 2012 revenue and gross margin budget and 50% on achievement of 2013 revenue and gross margin budget
	1,690,261			**$778,056.65**			

Remuneration committee

The Remuneration Committee currently comprises Mr Heaney, Committee Chairman and Mr Gould.

The Remuneration Committee is responsible for:

- reviewing and approving the remuneration of Directors and other senior executives; and
- reviewing the remuneration policies of the Company generally.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure

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

Non-executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to Shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held in March 2007 when Shareholders approved an aggregate remuneration of $100,000 per year.

The amount of aggregate remuneration sought to be approved by Shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each director receives a fee as set out in the Director and Executive Remuneration Table for being a director of the Company. Directors' fees cover all main Board activities and the membership of committees. There are no additional fees for committee membership. These fees exclude any additional 'fee for service' based on arrangements with the Company, which may be agreed from time to time. Agreed out of pocket expenses are payable in addition to Directors' fees. There is no retirement or other long service benefits that accrue upon appointment to the Board. Retiring non-executive Directors are not currently entitled to receive a retirement allowance.

Executive remuneration

Objective

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

- reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of Shareholders; and
- ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice.

The Remuneration Committee has entered into a detailed contract of employment with the Managing Director and a standard contract with other executives. Details of these contracts are provided below.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits)
- Variable remuneration
    - short term incentive (STI); and
    - long term incentive (LTI)

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out in the Director and Executive Remuneration Table.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Company, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. All forms of executive remuneration are detailed in the Remuneration Report.

Variable remuneration - Short Term Incentive

The objective of the STI is to link the achievement of the Group's operational targets with remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual STI payments granted to each executive depends on the extent to which specific targets set at the beginning of the year are met. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included measures are sales, net profit after tax, customer service, risk management and leadership/team contribution. These measures were chosen as they represent the key drivers for short term success of the business and provide a framework for long term value.

The Group has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Remuneration Committee, in line with their responsibilities, determine the amount, if any, of the short term incentive to be paid to each executive. This process usually occurs within 3 months of reporting date.

The aggregate of annual STI payments available for executives across the Group is subject to the approval of the Remuneration Committee. Payments are delivered as a cash bonus in the following reporting period. Participation in the Short Term Incentive Plan is at the Directors discretion.

Variable remuneration – Long Term Incentive

Long Term incentives are delivered under the Long Term Incentive Plan (LTIP), which is designed to reward sustainable, long-term performance in a transparent manner. Under the LTIP, individuals are granted LTIP shares, which have a two or three year performance period (Term). The number of LTIP Shares is determined by the Board. The number of LTIP shares that an individual will be entitled to at the end of the Term will depend on the extent to which the Hurdle has been met. Performance Hurdles are determined by the Board to align individual performance with the Company's performance.

At the Annual General Meeting held on 8 May 2007, Shareholders approved the Company's Long Term Incentive Plan ("Plan").

The purpose of the Plan is to encourage employees, Directors and officers to share in the ownership of the Company and therefore retain and motivate senior executives to drive performance at both the individual and corporate level. Performance hurdles have been determined by the Board to align individual performance with the Company's key success factors.

Employment contracts

Managing Director

The Managing Director, Mr McBrayer, is employed under a rolling contract. Mr McBrayer's current contract was executed on 13 May 2008. Mr McBrayer's remuneration for 2013 and 2012 is disclosed in the tables on pages 18 and 20. Under the terms of the present contract:

- Each year from 1 January, on 31 December Mr McBrayer may be entitled to receive additional amounts up to a maximum of $50,000 based on achieving certain benchmarks and targets, which in the absence of any formal agreement will default to achieving the budgeted Profit After Tax approved by the Board of Directors. This amount is entirely performance based and seeks to strengthen the alignment of the Managing Director's interests with those of the Company's shareholders.
- Mr McBrayer may resign from his position and thus terminate this contract by giving 6 months written notice unless a mutually agreeable date can be agreed upon.
- The Company may terminate this employment agreement by providing 6 months written notice or providing payment in lieu of the notice period.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.
- On 3 June 2008, two strictly limited recourse loans were made to Mr McBrayer under the Company's LTIP. The first loan was to enable the purchase of 700,000 shares for a period of 2 years at the price of 25 cents per share. These shares did not vest and lapsed in 2010. The second loan was to enable the purchase of 700,000 shares for a period of 4 years at the price of 35 cents per share. These shares did not vest and lapsed in 2012.
- On 31 October 2012, two strictly limited recourse loans were made to Mr McBrayer under the Company's LTIP to purchase shares for a period of 2 years. The first loan was to enable the purchase of 447,159 shares at the price of 35 cents per share and the second loan was to enable the purchase of 894,317 shares at the price of 50 cents per share.

Other Executives (standard contracts)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing (depending on the individual's contract) between 1 to 3 months written notice or providing payment in lieu of the notice period. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each director were as follows:

Director	Cyclopharm Board Meetings		Audit Committee Meetings		Board Nomination Committee		Remuneration Committee Meetings	
	No. of Meetings Eligible to Attend	No. of Meetings Attended	No. of Meetings Eligible to Attend	No. of Meetings Attended	No. of Meetings Eligible to Attend	No. of Meetings Attended	No. of Meetings Eligible to Attend	No. of Meetings Attended
Mr V R Gould	10	10	3	3	1	1	2	2
Mr D J Heaney	10	10	3	3	1	1	2	2
Mr J M McBrayer	10	10	-	-	1	1	-	-
Mr H Townsing *	3	3	-	-	-	-	-	-

* Mr Townsing was appointed on 16 September 2013.

SHARE OPTIONS

There were no share options on issue as at year end.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

This report is made and signed in accordance with a resolution of the Directors:

James S McBrayer

James McBrayer
Managing Director and CEO

Sydney, 31 March 2014

Auditor’s Independence Declaration

Russell Bedford
New South Wales

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31 March 2014

The Board of Directors
Cyclopharm Limited
Building 75
Business & Technology Park
New Illawarra Road
Lucas Heights NSW 2234

Dear Directors

AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

We declare that, to the best of our knowledge and belief, during the year ended 31 December 2013, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable Code of Professional Conduct in relation to the audit.

Yours faithfully

RUSSELL BEDFORD NSW
Chartered Accountants

STEPHEN FISHER
Partner

Corporate Governance

The Directors of Cyclopharm are responsible for the corporate governance of the Cyclopharm Group ("Cyclopharm" or the "Company"). The Board guides and monitors the business and affairs of the Company on behalf of the Shareholders by whom they are elected and to whom they are accountable.

The Company's main corporate governance practices are applicable to all subsidiaries and are summarised below.

1 Compliance with ASX best practice recommendations

The ASX Listing Rules require a statement in a listed Company's Annual Report which discloses the extent to which the ASX 28 best practice recommendations have been followed in the reporting period. As a listed Company, Cyclopharm must identify those recommendations which have not been followed and provide reasons for non-compliance.

This Statement sets out in detail the Company's compliance with the ASX Corporate Governance Council's best practice recommendations.

The Company considers that practices comply with 26 of the ASX best practice recommendations as at 31 December 2013. The Company considers that its recommendations comply with the best practice recommendations, other than recommendations 4.2 and 8.3. Explanations for the departure are provided in this statement in section 3(a) and 5(a). A checklist summarising this is set out in section 9 of this Statement.

2 The Board of Directors

(a) Membership

The Board has a range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, including details of director backgrounds is contained within the Directors' Report.

ASX Recommendation 2.6 (refer to best practice summary)

The Company's Constitution requires a minimum of 3 Directors and a maximum of 9 Directors. As at 31 December 2013, there were three non-executive Directors and one executive director. The Chairman, Mr Heaney, is a non-executive director.

The terms and conditions of appointment and retirement of Directors are set out in the Company's Constitution. The Board believes that its membership should have enough Directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

(b) Board role and responsibilities

The Board is responsible to Shareholders and investors for the Group's overall corporate governance.

The Board has established and approved a Board Charter. Under this Charter the Board is responsible for:

- Considering and approving the corporate strategies proposed by the Managing Director and monitoring their implementation;
- Approving, overseeing and monitoring financial and other reporting to Shareholders, investors, employees and other stakeholders of the Company;
- Ensuring that the Company has the appropriate human, financial and physical resources to execute its strategies;
- Appointing and monitoring the performance of, and removing the Managing Director;
- Ratifying the appointment, and where appropriate, the removal of the Chief Financial Officer (or equivalent) and / or Company Secretary;

- Reviewing the effectiveness of the Company's policies and procedures regarding risk management, including internal controls and accounting systems; and
- Ensuring appropriate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility.

ASX Recommendations 1.1, 2.6 (refer to best practice summary)

(c) Chairman

The Chairman, satisfies the requirements for an Independent Chairman under *ASX Recommendations 2.1 and 2.2* as Mr Heaney is a non-executive, and has approximately 0.15% of the Shares (Recommendations permit 5%).

The Chairman is elected by the full Board of Directors and is responsible for:

- Leadership of the Board;
- The efficient organisation and conduct of the Board's functions;
- The promotion of constructive and respectful relations between Board members and between the Board and management;
- Contributing to the briefing of Directors in relation to issues arising at Board meetings;
- Facilitating the effective contribution of all Directors; and
- Committing the time necessary to effectively discharge the role of the Chairman.

ASX Recommendation 2.3 (refer to best practice summary)

(d) Independent Directors

The Company recognises that independent Directors are important in assuring Shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement.

Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each director's individual circumstances rather than general materiality thresholds.

In assessing independence, the Board considers whether the director has a business or other relationship with the Company, directly or as a partner, shareholder or officer of a Company or other entity that has an interest or a business relationship with the Company or another Cyclopharm group member.

Mr Heaney, Mr Gould and Mr Townsing meet the Recommendations' various tests of independence. Therefore, there is a majority of independent non-executive Directors on the Board.

ASX Recommendation 2.1, 2.6 (refer to best practice summary)

(e) Avoidance of conflicts of interest by a director

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members further when that matter is being considered the Director may not vote on that matter, in accordance with the *Corporations Act*.

(f) Board Meetings

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

The number of times the Board has formerly met and the number of meetings attended by Directors during the financial year are reported in the Directors' Report. The Board Charter dictates that the Board will hold 10 scheduled meetings each year and, other meetings may be held at short notice as required.

(g) Review of Board Performance

The process for conducting the Board's annual performance review was agreed by the Board and was performed by the Chairman of the Board. Matters covered in the annual performance review include:

- The Board's contribution to developing strategy and policy;
- Interaction between the Board and management, and between Board members;
- The Board's processes to monitor business performance and compliance, control risk and evaluate Management;
- Board composition and structure; and
- The operation of the Board, including the conduct of Board meetings, Board Committee meetings and group behaviours.

ASX Recommendation 2.5 (refer to best practice summary)

(h) Nomination and appointment of new Directors

Recommendations for nominations of new Directors are made by the Board Nominations Committee and considered by the Board in full. All current members of the Board are members of the Board Nominations Committee and Mr Heaney is Chairman of the Committee. Board membership is reviewed annually by the Committee to ensure the Board has appropriate mix of qualifications, skills and experience. External advisers may be used in this process. Candidates are appointed by the Board and must stand for election at the next general meeting of Shareholders. If a new director is appointed during that year, that person will stand for election by Shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for election. The Nominations Committee reviews appointment criteria from time to time and makes recommendations concerning the re-election of any director by Shareholders.

ASX Recommendations 2.1, 2.4 (refer to best practice summary)

(i) Retirement and re-election of Directors

The Company's Constitution states that one-third of Directors excluding the Managing Director must retire each year. The maximum term that each director can serve in any single term is three years. A director appointed during the year must, under the Constitution, retire at the next annual general meeting. At that meeting, they can stand for re-election. The Board Nominations Committee conducts a peer review of those Directors during the year in which that director will become eligible for re-election.

ASX Recommendation 2.4 (refer to best practice summary)

(j) Board access to information and advice

All Directors have unrestricted access to Company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties. Each Director has the right, subject to prior consultation with the Chairman, to seek independent professional advice at the Company's expense if such advice is essential to the proper discharge of the Director's duties. The Chairman may notify other Directors of the approach with any resulting advice being made available to all other Board members.

ASX Recommendation 2.5 (refer to best practice summary)

3 Board Committees

To assist the Board in fulfilling its duties and responsibilities, it has established the following committees:

- Audit and Risk Committee;
- Board Nominations Committee; and
- Remuneration Committee.

(a) Audit and Risk Committee

The Audit and Risk Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Cyclopharm's website, at www.cyclopharm.com.au. The Audit and Risk Committee comprises two Directors, both being non-executive Directors. The non-executive Directors are Mr Heaney, Chairman of the Audit Committee and Mr Gould. The qualifications of the committee are located in the Directors' Report on page 12. The Audit Committee's responsibilities include:

- Reviewing procedures, and monitoring and advising on the quality of financial reporting (including accounting policies and financial presentation);
- Reviewing the proposed fees, scope, performance and outcome of external audits. However, the auditors are appointed by the Board;
- Reviewing the procedures and practices that have been implemented by management regarding internal control systems;
- Ensuring that management have established and implemented a system for managing material financial and non-financial risks impacting the Company;
- Reviewing the corporate governance practices and policies of the Company; and
- Reviewing procedures and practices for protecting intellectual property ("IP") and aligning IP to strategy.

The Committee does not comply with the requirement to have an independent chairperson, who is not the chairperson of the Board. The Board believes that Mr Heaney is the most appropriate person to be elected Chairman of the Committee. The Board does not comply with the ASX requirement to have at least 3 members on the Audit Committee. The Board believes that the experience that Mr Heaney and Mr Gould have in the finance industry adequately mitigates this non-compliance.

The number of times the Audit and Risk Committee has formerly met and the number of meetings attended by Directors during the financial year are reported in the Directors' Report.

The Audit and Risk Committee monitors and reviews:

- The effectiveness and appropriateness of the framework used by the Company for managing operational risk;
- The adequacy of the Company's internal controls including information systems controls an security;
- The adequacy of the process for reporting and responding to significant control and regulatory breaches;
- The effectiveness of the compliance function in ensuring adherence to applicable laws and regulations, including the actioning of legal and regulatory developments which may have a significant impact;
- Operational risk issues;
- Action plans to address control improvement areas.

The Company's Auditor, is requested to attend the Annual General Meeting and to be available to answer Shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's Report.

ASX Recommendations 4.2, 4.3, 4.4, 4.5 (refer to best practice summary)

(b) Board Nominations Committee

The Board Nominations Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Cyclopharm's website, at www.cyclopharm.com.au.

The primary function of the Nominations Committee is performing review procedures to assist the Board in fulfilling its oversight responsibility to Shareholders by ensuring that the Board comprises individuals best able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance. The Committee as delegated by the Board, is responsible for:

- developing and reviewing policies on Board composition, strategic function and size;
- performance review process of the Board, its Committees and individual Directors;
- developing and implementing induction programs for new Directors and ongoing education for existing Directors;
- developing eligibility criteria for nominating Directors;
- recommending appointment of Directors of the Board;
- reviewing director independence; and
- succession planning for the Board.

The number of times the Board Nominations Committee has formerly met and the number of meetings attended by Directors during the financial year are reported in the Directors' Report.

ASX Recommendations 2.4, 2.6 (refer to best practice summary)

(c) Remuneration Committee

The Remuneration Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Cyclopharm's website, at www.cyclopharm.com.au.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, senior executives and non-executive Directors. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights and responsibilities. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance contribution to long-term growth, relevant comparative information and independent expert advice. As well as base salary, remuneration packages may include superannuation and retirement and termination entitlements.

The Remuneration Report, which has been included in the Directors' Report, provides information on the Group's remuneration policies and payment details for Directors and key management personnel.

The number of times the Board Remuneration Committee has formerly met and the number of meetings attended by Directors during the financial year are reported in the Directors' Report.

ASX Recommendation 9.2 (refer to best practice summary)

4 Recognising and managing risk

A range of factors and risks some of which are beyond the Company's control can influence performance. The Company has in place a range of procedures to identify, assess and control risks which are reviewed by the Audit and Risk Committee and also by the Board periodically.

(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The Company recognises four main types of risk:

- Market risk, relates to the risk to earnings from changes in market conditions including economic activity, interest rates, investor sentiment and world events.
- Operational risk, relates to inadequacy of or a failure of internal processes, people or systems or from external events.
- Credit risk, relates to the risk that the other party to a transaction will not honour their obligation; and
- Regulatory risk, relates to the risk that there may be changes to legislation (including but not limited to laws which relate to corporations and taxation) in the future which restricts or limits in some way the Company's activities.

ASX recommendations 7.1, 7.4 (refer to best practice summary)

The Board, based on the recommendations of the Managing Director, Mr McBrayer, makes decisions on investments for the Company. The Board considers that the general retention by it of the power to make the final investment or divestment decision by majority vote provides an effective review of the investment strategy.

A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any proposed major change in investment strategy is first put to Shareholders for their approval.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and

- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify an manage risks in all of the Company's activities.

(c) Managing Director and Chief Financial Officer Certification

The Managing Director and Chief Financial Officer (or equivalent) provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management, internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.

ASX recommendations 7.3 (refer to best practice summary)

(d) Internal review and risk evaluation

Assurance is provided to the Board by senior management on the adequacy and effectiveness of management controls for risk.

5 Remuneration

(a) Overview

The Remuneration Committee is responsible for reviewing the compensation arrangements for the Managing Director and other key personnel. The Remuneration Committee is also responsible for reviewing management incentive schemes, superannuation, retirement and termination entitlements, fringe benefits policies, and professional indemnity and liability insurance policies. The nature and amount of each element of the fee or salary of each director and each of the highest-paid officers of the Company are set out in the Remuneration Report on pages 17 to 20. Non-executive Directors' fees and payments are reviewed annually by the Board. Executive Directors are, subject to the information above, paid in salary or fees.

Mr Heaney and Mr Gould meet the Recommendation's various tests of independence. Therefore there is a majority of independent non-executive Directors on the Remuneration Committee and is chaired by an independent Director. The Board does not comply with the ASX requirement to have at least 3 members on the Remuneration Committee. The Board believes that the experience that Mr Heaney and Mr Gould have in the finance industry adequately mitigates this non-compliance.

ASX recommendations 8.1, 8.2, 8.3, 8.4 (refer to best practice summary)

(b) Equity-based key management personnel remuneration

The Long Term Incentive Plan (LTIP) was approved by Shareholders at the Annual General Meeting held on 8 May 2007 in Melbourne. The purpose of the LTIP is to attract, retain and motivate employees and officers of the Company to drive performance at both the individual and corporate level. Any further participation by Directors in the LTIP will require Shareholders approval in accordance with the ASX Listing Rules.

6 Timely and balanced disclosure

The Company believes that all Shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's market disclosure policy approved by the Board and governs how the Company communicates with Shareholders and the market. Shareholders are encouraged to participate in general meetings.

(a) Market disclosure policy and practices

The Continuous Disclosure and Market Communication Policy is available within the Corporate Governance section on Cyclopharm's website, at www.cyclopharm.com.au.

This policy includes provision for communications by the Company to:

- Be factual and subject to internal vetting and authorisation before issue;
- Be made in a timely manner;
- Not omit material information;
- Be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions; and
- Be in compliance with ASX Listing Rules continuous disclosure requirements

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

ASX Recommendations 5.1, 5.2, 6.1 (refer to best practice summary)

(b) Communication strategy

The Company publishes on its website the annual reports, profit announcements, press releases and notices to meeting to encourage shareholder and investor participation in Cyclopharm.

ASX Recommendations 5.1, 6.1 (refer to best practice summary)

7 Ethical and responsible decision-making

(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of Cyclopharm act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

ASX Recommendations 3.1, 3.2, 3.3, 10.1 (refer to best practice summary)

(b) Policy concerning trading in Company securities

On 19 February 2009, the Board resolved to adopt a new Policy concerning trading in Company securities. An executive, director or relevant employees ('employee') must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities. An employee should not deal in securities of Cyclopharm without receiving clearance from a Committee comprised of the Managing Director and the Chairman (or in the absence of either of these two directors by any other director) who has ensured that there is no unpublished price sensitive information.

Generally, an employee must not be given clearance to deal in any securities of Cyclopharm during a prohibited period. A 'prohibited period' means:

(a) The period from year end and preliminary announcement of the full year results (usually 1 February to end February);

(b) The period from half year end and preliminary announcement of the half year results (usually 1 August to end August); and

(c) Any other periods advised to employees by the Board (via the Company Secretary).

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

8 Diversity

The Company publishes on its website its Diversity Policy.

The proportion of women employees within the following three levels as at 31 December 2013 are:

- Whole organisation 26%
- Senior executive positions 18%
- Board 0%

The Board has set the following objectives which are reviewed annually:

- Establish a Diversity Committee to oversee selection of new board members and senior executives;
- For vacancies at the Board and Senior Management level ensure that a diverse candidate pool and input from a diverse selection pool;
- Establish a senior mentoring program overseen by the Managing Director for all female senior managers.

ASX Recommendations 3.2, 3.3 (refer to best practice summary)

Corporate Governance
Continued

9 Checklist for summarising the best practice recommendations and compliance

ASX Principle	Reference	Compliance
Principle 1: Lay solid foundations for management and oversight		
1.1 Formalise and disclose the functions reserved to the board and those delegated to management	2b	comply
1.2 Companies should disclose the process for evaluating the performance of senior executives.	2g, 5a, 5b	comply
1.3 Provide the information indicated in the Guide to reporting on Principle 1.	2a, 2b, 5a, 5b	comply
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	2a, 2d, 2h	comply
2.2 The chair should be an independent director	2c	comply
2.3 The roles of chair and managing director should not be exercised by the same individual	2a, 2c	comply
2.4 The board should establish a nomination committee	2h, 2i, 3b	comply
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	2g, 3c	comply
2.6 Provide the information in the Guide to reporting on this Principle 2	2a, 2b, 2d, 2j, 3b	comply
Principle 3: Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	7a	comply
3.1.1 the practices necessary to maintain confidence in the company's integrity		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices		
3.2 Disclose the policy concerning diversity including achieving gender diversity and the board's assessment of achieving its objectives annually.	8	comply
3.3 Provide the information indicated in the Guide to reporting on Principle 3.	7a	comply
Principle 4: Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee	3a	comply
4.2 The audit committee should be structured so that it:	3a	do not comply
4.2.1 consists only of non-executive directors		
4.2.2 consists of a majority of independent directors		
4.2.3 is chaired by an independent chair, who is not the chair of the board		
4.2.4 has at least three members		
4.3 The audit committee should have a formal charter.	3a	comply
4.4 Provide the information in the Guide to reporting on this Principle 4	2a, 3a	comply

Corporate Governance
Continued

9 Checklist for summarising the best practice recommendations and compliance (continued)

ASX Principle	Reference	Compliance
Principle 5: Make timely and balanced disclosure		
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	6a	comply
5.2 Provide the information in the Guide to reporting on this Principle 5	6a	comply
Principle 6: Respect the rights of shareholders		
6.1 Design and disclose a communications strategy to promote effective communication with sharholders and encourage participation at general meetings	6a, 6b	comply
6.2 Provide the information indicated in the Guide to reporting on Principle 6.	3a	comply
Principle 7: Recognise and manage risk		
7.1 The board or appropriate board committee should establish policies on risk oversight and management	4a	comply
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being effectively managed and disclose that management has reported to it as to the effectiveness of the company's management of business risks.	4a	comply
7.3 The chief executive officer (or equivalent) and chief financial officer (or equivalent) should state to the board in writing that in accordance with section 295A of the Corporations Act:	4c	comply
7.3.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and controls to implement the policies adopted by the board		
7.3.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects		
7.4 Provide the information in the Guide to reporting on this Principle 7	4a	comply
Principle 8: Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee	3c, 5a	comply
8.2 Clearly distinguish the structure of non-executive director's remuneration from that of executives	5a	comply
8.3 The remuneration committee should be structured so that it consists of a majority of independent directors, chaired by an independent director and have at least three members.	5a	do not comply
8.4 Provide the information in the Guide to reporting on this Principle 8	5a	comply

Statement of Comprehensive Income
for the year ended 31 December 2013

	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)
Impairment charge - Molecular Imaging property, plant and equipment		(8,860,163)	-
Share of loss of associate	11	(252,640)	-
Loss before tax and finance costs		**(9,515,906)**	**(627,073)**
Finance costs	4b	(270,262)	(383,788)
Loss before income tax		**(9,786,168)**	**(1,010,861)**
Income tax benefit / (expense)	5	146,051	(33,266)
Net Loss for the year		**(9,640,117)**	**(1,044,127)**
Other comprehensive income after income tax			
Items that will be re-classified subsequently to profit and loss when specific conditions are met:			
Exchange differences on translating foreign controlled entities (net of tax)		572,423	143,084
Total comprehensive loss for the year		**(9,067,694)**	**(901,043)**
Loss per share (cents per share)	6	**cents**	**cents**
-basic loss per share for continuing operations		(16.73)	(0.86)
-basic loss per share		(16.73)	(0.86)
-diluted loss per share		(16.73)	(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
Nuclear Medicine

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	742,420	9,526,942
Investments accounted for using the equity method	11	-	-
Intangible assets	12	3,526,827	3,096,438
Total Non-current Assets		**4,447,663**	**12,623,380**
Total Assets		**11,899,167**	**21,656,363**
Liabilities			
Current Liabilities			
Trade and other payables	13	1,869,833	1,642,146
Interest bearing loans and borrow ings	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 borrow ings	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		**6,550,493**	**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 / (Accumulated losses)		(7,734,143)	1,905,974
Total Equity		**6,550,493**	**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

	Notes	Consolidated 2013 $	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

CONSOLIDATED	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings / (Accumulated Losses) $	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	-	-	-	(9,640,117)	-	-	(9,640,117)
Other comprehensive income	-	-	-	-	572,423	-	572,423
Total comprehensive loss for the year	**-**	**-**	**-**	**(9,640,117)**	**572,423**	**-**	**(9,067,694)**
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**	**(7,734,143)**	**(1,017,186)**	**338,585**	**6,550,493**

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

1. CORPORATE INFORMATION

The financial report of Cyclopharm Limited ("Cyclopharm" or "the Company") for the year ended 31 December 2013 was authorised for issue by a resolution of the Directors as at the date of this report.

Cyclopharm 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 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 $9,640,117 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.

Prior to the writedown of the cyclotron facility asset announced on 28 March 2014, the Company was in full compliance with its banking covenants. As a result of recognising the $8,860,163 impairment charge to the property, plant and equipment of the Molecular Imaging division, the Company has breached its banking covenants relating to capital adequacy, Earnings Before Interest and Taxes (EBIT) and total assets. The Company is in discussion with the bank with respect to the breaches at this time and is awaiting a response.

These matters give rise to a material uncertainty that casts 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. On this basis the directors are of the opinion that the consolidated entity can and will continue as a going concern. The directors have obtained a letter of support from the consolidated entity's key shareholder confirming their willingness to underwrite a future capital raising within the next twelve months if considered necessary.

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:

1 AASB 10: *Consolidated Financial Statements;*
2 AASB 12: *Disclosure of Interests in Other Entities;*
3 AASB 13: *Fair Value Measurement;* and
4 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.

AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.

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).*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. An impairment writedown by $8,860,163 to nil in respect of Cyclopet's property, plant & equipment balance at the end of the reporting period has been recognised as a result of the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Investments Accounted For Using The Equity Method

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

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Details of the Group's investments in associates are provided in Note 11.

j) 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.

k) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

l) 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 condition 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.

m) 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.

n) 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.

o) 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.

p) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Provisions

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

r) Employee entitlements

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

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

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

s) Employee share and performance share schemes

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

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

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

t) 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)

u) 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.

Provision of services

Revenue is recognised with reference to the stage of completion of the transaction at the end of the reporting period, where the outcome of the contract can be estimated reliably.

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”).

v) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred is not recoverable from the Australian Taxation Office (“ATO”), and is therefore recognised as part of the asset’s cost or as part of the expense item. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

w) Financial instruments

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

Loans and receivables

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

x) Contributed equity

Share capital

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

Other contributed equity

In accordance with *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 non-controllling 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*.

y) Earnings per share

Basic earnings per share

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

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.

z) 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.

Intangible Assets

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 future actual revenue figures be more than 43% below projected revenue 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.

Property, plant & equipment

An impairment writedown by $8,860,163 to nil in respect of Cyclopet's property, plant & equipment balance at the end of the reporting period has been recognised as a result of the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014.

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 23 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	Technegas $	Consolidated 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, impairment charge and finance costs	**2,025,694**	**(2,681,437)**	**(655,743)**
Impairment charge - Molecular Imaging property, plant and equipment	-	(8,860,163)	(8,860,163)
Profit / (Loss) before tax and finance costs	**2,025,694**	**(11,541,600)**	**(9,515,906)**
Finance costs	(17,202)	(253,060)	(270,262)
Profit / (Loss) before income tax	**2,008,492**	**(11,794,660)**	**(9,786,168)**
Income tax benefit / (expense)	146,051	-	146,051
Profit / (Loss) after income tax	**2,154,543**	**(11,794,660)**	**(9,640,117)**
Assets and liabilities			
Segment assets	10,825,125	1,074,042	11,899,167
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 (continued)

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, impairment charge and finance costs	**1,124,977**	**(1,752,050)**	**(627,073)**
Impairment charge - Molecular Imaging property, plant and equipment	-	-	-
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	Asia Pacific $	Consolidated 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	7,040,584	4,196,671	661,912	-	11,899,167

For the year ended 31 December 2012	Asia Pacific $	Consolidated 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 $	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 wages		3,375,583	3,014,211
Defined contribution superannuation expense		268,595	245,226
Non-Executive Director fees		82,357	75,368
Share-based payments expense	23a	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	**(9,786,168)**	**(1,010,861)**
Statutory income tax rate of 30%	2,935,850	303,258
Expenditure not allowable for income tax purposes		
- Impairment charge - Molecular Imaging property, plant and equipment	(2,658,049)	-
- Other items not allowable	(99,484)	(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	(1.5%)	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%	3,467,783	**828,959**
- arising from tax losses - at 26.5%	158,268	**150,941**
- at 30%	672,909	**366,107**

The benefits of the above temporary differences and unutilised tax losses will only be realised if the conditions for deductibility set out in Note 2(g) occur. These amounts have no expiry date.

6. NET TANGIBLE ASSETS AND LOSS PER SHARE

Net Tangible Assets per share

	Consolidated	
	2013	**2012**
	$	**$**
Net assets per share	0.11	0.27
Net tangible assets per share	0.05	0.22
	Number	**Number**
Number of ordinary shares for net assets per share	57,448,536	58,128,536
	2013	**2012**
	$	**$**
Net assets	6,550,493	15,608,433
Net tangible assets	3,023,666	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	**2012**
	cents	**cents**
Basic loss per share for continuing operations	(16.73)	(0.86)
Basic loss per share	(16.73)	(0.86)
Diluted loss per share	(16.73)	(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	(9,640,117)	(1,044,127)
Loss used to calculate diluted earnings per share	(9,640,117)	(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	**(9,640,117)**	**(1,044,127)**
Adjustments for non-cash income and expense items:		
Depreciation	587,856	598,008
Amortisation	55,227	53,975
Impairment charge - Molecular Imaging assets	8,860,163	-
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 $	Consolidated 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**

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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, controlled entities.

The following table details the Group's trade and other current receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired (Days Overdue)				Within Initial Trade Terms
			< 30	31 - 60	61 - 90	> 90	
	$	$	$	$	$	$	$
2013							
Trade receivables, third parties	3,475,453	10,581	24,377	-	-	39,279	3,401,216
Other receivables - current	164,079	-	-	-	-	-	164,079
Total trade and other current receivables	3,639,532	10,581	24,377	-	-	39,279	3,565,295
2012							
Trade receivables, third parties	3,461,562	8,702	136,321	24,467	26,186	166,518	3,099,368
Other receivables - current	331,433	-	-	-	-	-	331,433
Total trade and other current receivables	3,792,995	8,702	136,321	24,467	26,186	166,518	3,430,801

9. INVENTORIES

	Notes	Consolidated 2013 $	Consolidated 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)
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Depreciation for the year	(49,458)	(71,171)	(460,506)	(6,721)	-	(587,856)
31 December 2013						
at written down value	**339,075**	**15,796**	**43,698**	**6,778**	**337,073**	**742,420**
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
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(151,769)	(422,138)	(3,263,568)	(114,123)	-	(3,951,598)
Net carrying amount	**339,075**	**15,796**	**43,698**	**6,778**	**337,073**	**742,420**

* Impairment resulting from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014.

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).

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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 ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2013 $	Consolidated 2012 $
Associated companies	-	-

Name	Principal Activities	Principal place of business	Measurement Method	Ownership Interest 2013	Ownership Interest 2012
Macquarie Medical Imaging Pty Ltd	Imaging centre	Sydney, Australia	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)

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

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.

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**

12. INTANGIBLE ASSETS (continued)

Intangible assets for Intellectual Property and Technegas Development have finite useful lives. The current amortisation charges are included under depreciation and amortisation expense per the Statement of Comprehensive Income. The recoverable amount of FDA development costs have been assessed using a discounted cash flow methodology forecasting five years of pre-tax cash flows.

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 $	Consolidated 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**

a) Financing facilities available:

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

	Notes	Consolidated 2013 $	Consolidated 2012 $
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:		**-**	**-**

14. INTEREST BEARING LOANS AND BORROWINGS (continued)

(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.

Prior to the writedown of the cyclotron facility asset announced on 28 March 2014, the Company was in full compliance with its banking covenants. As a result of recognising the $8,860,163 impairment charge to the property, plant and equipment of the Molecular Imaging division, the Company has breached its banking covenants relating to capital adequacy, Earnings Before Interest and Taxes (EBIT) and total assets. The Company is in discussion with the bank with respect to the breaches at this time and is awaiting a response.

15. PROVISIONS

Consolidated	Consolidated Employee Entitlements $
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

A provision has been recognised for employee entitlements relating to long service leave. The measurement and recognition criteria relating to employee benefits have been disclosed in Note 2.

16. CONTRIBUTED EQUITY

		Consolidated			
		2013	2012	2013	2012
	Notes	Number	Number	$	$
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 23.
(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)

The Group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management constantly assesses the capital structure to take advantage of favourable costs of capital and/or high returns on assets. As the market 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 monitors capital through the gearing ratio (net debt/total capital). Management aims to ensure that the Group's gearing ratio does not exceed 45%. Prior to the writedown of the cyclotron facility asset announced on 28 March 2014, the Company was in full compliance with its banking covenants. As a result of recognising the $8,860,163 impairment charge to the property, plant and equipment of the Molecular Imaging division, the Company has breached its banking covenants relating to capital adequacy, Earnings Before Interest and Taxes (EBIT) and total assets. The Company is in discussion with the bank with respect to the breaches at this time and is awaiting a response.

		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		6,550,493	15,608,433
Gearing ratio		18.3%	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.

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		Total
					1 year or less	1 to 5 years	
			$	$	$	$	$
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
Total financial liabilities			**1,869,833**	**-**	**2,416,986**	**-**	**4,286,819**
Net exposure			**1,759,118**	**1,220,646**	**(2,416,986)**	**-**	**562,778**

Consolidated Year ended 31 December 2012		Weighted average interest rate %	Non interest bearing	Floating interest rate	Floating interest maturing in		Total
					1 year or less	1 to 5 years	
			$	$	$	$	$
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
Total financial liabilities			**1,642,146**	**-**	**3,604,310**	**16,986**	**5,263,442**
Net exposure			**2,142,147**	**2,346,556**	**(3,604,310)**	**(16,986)**	**867,407**

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 31 December 2013	Note	Less than 6 months $	6 months to 1 year $	1 year to 5 years $	Greater than 5 years $	Total $
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

* NAB loan re-classified as a current liability due to breach of loan covenants.

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 $	Consolidated 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

	Notes	Consolidated 2013 $	Consolidated 2012 $
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

		Consolidated	
		2013	2012
	Notes	$	$
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) Prior to the writedown of the cyclotron facility asset announced on 28 March 2014, the Company was in full compliance with its banking covenants. As a result of recognising the $8,860,163 impairment charge to the property, plant and equipment of the Molecular Imaging division, the Company has breached its banking covenants relating to capital adequacy, Earnings Before Interest and Taxes (EBIT) and total assets. The Company is in discussion with the bank with respect to the breaches at this time and is awaiting a response.

(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 received 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

On 28 March 2014, the Company announced to the ASX the closure of the cyclotron facility at the end of April 2014. Over the past few years, the Cyclopet business has faced significant financial challenges associated with the ongoing anti-competitive practices of the Australian Nuclear Science and Technology Organisation (ANSTO) which, through its wholly-owned Petnet business, continues to sell its products into the NSW market at prices that are not commercially viable.

The decision to cease commercial production at its cyclotron facility was forced upon the Company when it became known that Petnet was entering into new contracts at prices considerably lower than those already raised in the Company's claim as being predatory.

No other matters or circumstances have arisen since the end of the financial year, not otherwise dealt with in the financial report, which significantly affected or may significantly affect the operations of the 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. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURE

In accordance with the Corporations Amendment Regulations 2005 (No.4), the Company has transferred the remuneration disclosures required by *AASB 124: Related Party Disclosures* from the notes to the financial statements, to the Directors' Report under the heading of 'Remuneration Report'.

23. 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).

(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.

23. SHARE BASED PAYMENT PLANS (continued)

LTIP Shares issued

At the Annual General Meeting held on 8 May 2007, Shareholders approved the Company's Plan.

Implied Options

AASB 2 Share Based Payments requires that the benefit to an employee arising from an employee share scheme such as the Cyclopharm Long Term Incentive Plan be treated as an expense 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 Implied 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 recognised as the share loans are settled by the relevant employees.

(c) Summary of Implied Options granted

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

	Consolidated 2013 Number	Consolidated 2012 Number	Weighted Average Exercise Price 2013 $	Weighted Average Exercise Price 2012 $
Balance at the beginning of the year	1,786,849	700,000	0.46	0.35
Granted during the year	-	1,786,849	-	0.46
Exercised during the year	-	-	-	-
Lapsed during the year	-	(700,000)	-	0.35
Balance at the end of the year	**1,786,849**	**1,786,849**	**0.46**	**0.46**

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

The range of exercise prices for Implied Options at the end of the year was $0.35 to $0.50. The weighted average remaining contractual life for the Implied Options outstanding as at 31 December 2013 is 0.83 years (2012: 1.83 years). No Implied Options were granted during the year. The weighted average fair value of Implied Options granted during the previous year was $0.01.

23. SHARE BASED PAYMENT PLANS (continued)

(e) 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.

24. PARENT ENTITY DISCLOSURE

	2013 $	2012 $
(i) **Financial Position**		
Assets		
Current Assets	575,632	1,715,870
Non-current Assets	6,809,056	18,607,570
Total Assets	**7,384,688**	**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	**2,944,351**	**15,533,073**
Equity		
Contributed equity	15,163,767	15,167,045
Employee equity benefits reserve	338,585	325,553
Retained Profits / (Accumulated Losses)	(12,558,001)	40,475
Total Equity	**2,944,351**	**15,533,073**
(ii) **Financial Performance**		
Loss for the year	(12,598,476)	(162,942)
Other comprehensive income	-	-
Total Loss for the year	**(12,598,476)**	**(162,942)**

The Parent Entity (Cyclopharm Limited) has a net current asset deficiency at 31 December 2013, consistent with that at 31 December 2012. The Parent Entity is able to call on the resources of the Cyclopharm Group as required and also will rely on the proposed capital raising (refer Note 2(b)).

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).

25. RESERVES

Nature and purpose of reserves:

(a) Employee equity benefits reserve

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

(b) Foreign currency Translation Reserve

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

26. RECONCILIATION BETWEEN APPENDIX 4E AND ANNUAL REPORT

	2013 $
Net Loss After Tax as per Appendix 4E	(779,954)
Less: Impairment charge - Molecular Imaging property, plant and equipment	(8,860,163)
Net Loss After Tax as per Annual Report	**(9,640,117)**

Director's Declaration

In the opinion of the Directors of Cyclopharm Limited:

1. (a) The financial statements and notes and of the consolidated entity are in accordance with the Corporations Act 2001, including:
   - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
   - (ii) complying with Accounting Standards and Corporations Regulations 2001: and

   (b) The remuneration disclosures that are contained in the Remuneration Report on pages 17 to 26 of the Directors' Report comply with the Australian Accounting Standard AASB 124 Related Party Disclosures; and

   (c) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2013.

Signed in accordance with a resolution of the Directors:

James McBrayer
Managing Director and CEO

Sydney, 31 March 2014

Independent Audit Report

Russell Bedford
New South Wales

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Sydney NSW 2000
Australia

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Independent Auditor's Report to the members of Cyclopharm Limited

Report on the Financial Report

We have audited the accompanying financial report of Cyclopharm Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Audit Report

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. In addition to our audit of the financial statements we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

(a) the financial report of Cyclopharm Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without modifying our conclusion expressed above, we draw attention to Note 2 (b) 'Going Concern' in the financial statements, which identifies that the consolidated entity has incurred a loss of $9,640,117 for the year ended 31 December 2013. These conditions, along with other matters as set forth in Note 2 (b) 'Going Concern', indicates the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 17 to 26 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Cyclopharm Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

RUSSELL BEDFORD NSW
Chartered Accountants

STEPHEN FISHER
Partner

Dated this 31st day of March 2014

ASX Additional Information

The following information is current at 28 February 2014

A. SUBSTANTIAL SHAREHOLDERS

The following have advised that they have a relevant interest in the capital of Cyclopharm Limited. The holding of a relevant interest does not infer beneficial ownership. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

Shareholder	No. of ordinary shares held	Percentage held of issued ordinary capital
Stinoc Pty Limited (a subsidiary of CVC Ltd)	11,118,717	19.35%
Lloyds & Casanove Investment Partners Limited	10,568,470	18.40%
Barings Acceptance Limited	9,967,601	17.35%
Chemical Trustee Limited	8,000,000	13.93%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of numbers of equity security holders by size of holding as at 28 February 2014

Category	Ordinary Shareholders
1 - 1,000	54
1,001 - 5,000	235
5,001 - 10,000	103
10,001 - 100,000	167
100,001 and over	34
Total	593

(ii) There were 118 holders of less than a marketable parcel of ordinary shares.

C. EQUITY SECURITY HOLDERS

	Twenty largest quoted equity security holders	Ordinary shares Number held	Percentage of issued shares
1	STINOC PTY LIMITED	11,118,717	19.35%
2	LLOYDS & CASANOVE INVESTMENT PARTNERS LIMITED	10,568,470	18.40%
3	BARINGS ACCEPTANCE LIMITED	9,967,601	17.35%
4	CHEMICAL TRUSTEE LIMITED	8,000,000	13.93%
5	EXECUTIVE RECRUITMENT SERVICES LIMITED	1,800,000	3.13%
6	MR JAMES MCBRAYER	1,373,294	2.39%
7	DERRIN BROTHERS PROPERTIES LIMITED	930,000	1.62%
8	MELBOURNE CORP OF AUSTRALIA PTY LIMITED (SUPERANNUATION FUND A/C)	840,795	1.46%
9	SOUTHGATE INVESTMENTS FUNDS LIMITED	700,000	1.22%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	593,399	1.03%
11	SOUTH SEAS HOLDINGS PTY LTD	575,000	1.00%
12	NABIL MORCOS	479,954	0.84%
13	ABASUS INVESTMENTS LIMITED	425,000	0.74%
14	CITY & WESTMINISTER LIMITED	420,000	0.73%
15	NEWRIDGE ENGINEERS LIMITED	370,000	0.64%
16	MALACKEY HOLDINGS PTY LTD	350,000	0.61%
17	MELBOURNE CORP OF AUSTRALIA PTY LIMITED	340,000	0.59%
18	OSBORNE AND CHAPPEL INTERNATIONAL LIMITED	281,211	0.49%
19	SYDNEY SCHOOLS PTY LIMITED	255,500	0.44%
20	MR ANTHONY REX MORGAN & MRS ELENA MORGAN (ZIKLAG SUPER FUND)	230,000	0.40%
		49,618,941	86.37%
	Other equity security holders	7,829,595	13.63%
	Total	**57,448,536**	**100.00%**

D. VOTING RIGHTS

The Company's constitution details the voting rights of members and states that every member, present in person or by proxy, shall have one vote for every ordinary share registered in his or her name.

General Information

Directors
David Heaney
Non-Executive Chairman

James McBrayer
Managing Director & CEO

Vanda Gould
Non-Executive Director

Henry Townsing
Non-Executive Director

Company Secretary
James McBrayer

Registered Office
Cyclopharm Limited
Building 75
Business & Technology Park
New Illawarra Road
Lucas Heights NSW 2234
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F: 02 9543 0960

Cyclomedica Australia
Building 75
Business & Technology Park
New Illawarra Road
Lucas Heights NSW 2234
T: 02 9541 0411
F: 02 9543 0960

Cyclopet
Basement 2
Macquarie University Hospital
3 Technology Place
Macquarie University NSW 2109
T: 02 9878 3869
F: 02 9889 1281

Cyclomedica Canada
615 Old York Road,
Burlington,
Ontario L7P 4Y6
Canada

Cyclomedica Germany
Museumstrasse 69
D-38229 Salzgitter
Germany

Cyclomedica Europe
Unit A5,
Calmount Business Park
Ballymount
Dublin 12
Ireland

Auditors
Russell Bedford NSW
Level 42, Suncorp Place
259 George Street
Sydney NSW 2000

Share Registry
Gould Ralph Pty Ltd
Level 42
259 George Street
Sydney NSW 2000
T: 02 9032 3000
F: 02 9032 3088

Bankers
National Australia Bank
Level 21
255 George Street
Sydney NSW 2000

Solicitors
Piper Alderman
Level 24, 385 Bourke Street
Melbourne VIC 3000

Stock Exchange Listing
The ordinary shares of Cyclopharm Limited are listed on the Australian Securities Exchange Ltd (code: CYC).

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