cyclopharm

cyclomedica
technegas
ultralute

Cyclopharm Ltd
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27 February 2017

The Manager
Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

CYCLOPHARM AMENDED APPENDIX 4E PRELIMINARY FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Cyclopharm Limited (ASX : CYC) advises that following a further review by its auditors, full year Net Profit has increased by an additional $95,432. The attached Appendix 4E Preliminary Financial Report for the Financial Year ended 31 December 2016 has been updated and replaces the Appendix 4E lodged on 22 February 2017. The reconciliation is provided below:

	$
Net Profit per Appendix 4E lodged on 22 February 2017	795,936
Reduction in Income Tax Expense*	95,432
Amended Net Profit per Appendix 4E lodged on 2x February 2017	891,368

* Deferred Tax Asset recognised arising from the tax effect of the Kingsgrove factory lease incentive and make good provisions.

As a result, Basic Earnings per Share has increased from 1.43 cents to 1.60 cents.

For more information, please contact:
Mr James McBrayer
Managing Director, CEO and Company Secretary
T: +61 (02) 9541 0411

Cyclopharm Limited
Cyclopharm is an ASX Listed radiopharmaceutical company servicing the global medical community. The Company's mission is to provide nuclear medicine and other clinicians with the ability to improve patient care outcomes. Cyclopharm achieves this objective primarily through the provision of its core radiopharmaceutical product, Technegas used in functional ventilation imaging.

Technegas
The Technegas technology is a structured ultra-fine dispersion of radioactive labelled carbon, produced by using dried Technetium- 99m in a carbon crucible, micro furnaced for a few seconds at around 2,700o C. The resultant gas like substance is inhaled by the patient (lung ventilation) via a breathing apparatus, which then allows multiple views and tomography imaging under a gamma or single photon emission computed tomography (SPECT) camera for evaluating functional ventilation imaging. Historically used in the diagnosis of pulmonary embolism, Technegas, together with advancements in complementary technology to multimodality imaging and analytical software, is being used in other disease states to include COPD, asthma, pulmonary hypertension and certain interventional applications to include lobectomies in lung cancer and lung volume reduction surgery.

Ultralute ™
Cyclopharm's patented nuclear medicine technology Ultralute ™ extends the useful life of Molybdenum-99 (Mo-99) generators by up to 50%. This technology potentially gives nuclear medicine departments the ability to dramatically improve operating efficiencies and health outcomes for patients. 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.

Cyclopharm Limited
Appendix 4E - Amended

1. Company details

Name of entity

CYCLOPHARM LIMITED		
ABN or equivalent company reference	**Financial year ended ('current period')**	**Financial year ended ('previous period')**
74 116 931 250	31 December 2016	31 December 2015

2. Results for announcement to the market

2.1 Revenues from ordinary activities	up	14.3%	to	14,385,507
2.2 Profit from ordinary activities after tax attributable to members	down	(81.4%)	to	891,368
2.3 Net Profit for the period attributable to members	down	(81.4%)	to	891,368

2.4 Dividends	Amount per security	Franked amount per security
Final dividend proposed	0.5 cent	0.0 cent
Interim dividend - 2016	0.5 cent	0.23 cent

The Directors have resolved to pay a final unfranked dividend in respect of the financial year ended 31 December 2016 of 0.5 cent per share payable on 10 April 2017. A partially franked interim dividend in respect of the financial year ended 31 December 2016 was paid on 12 September 2016.

Ex-dividend date	Friday, 31 March 2017
Record date for determining entitlements to the final dividend	Monday, 3 April 2017
Payment date	Monday, 10 April 2017

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

Key highlights of Cyclopharm's financial results for the 2016 year included:

- Record sales revenue of $14.39 million
- Record Technegas division Operating Underlying EBITDA of $3.44 million
- NPAT of $0.89 million
- Cashflow from operations of $0.65 million
- Net cash at year-end of $4.6 million
- Final dividend of 0.5 cents per share (Full year totaling 1.0 cent per share, partially franked)

The table below outlines Cyclopharm's consolidated performance on a comparative financial year basis:

Year ended 31 December	**2016 $'000**	**2015 $'000**	**Inc/(Dec) $'000**	**% Change**
Sales Revenue	14,386	12,583	1,803	14%
Gross Margin	11,182	10,108	1,074	11%
Gross Margin % Sales	77.7%	80.3%	(2.6%)	
Consolidated EBITDA	**1,546**	**4,260**	**(2,714)**	**(64%)**
Add Back:				
CPET / Ultralute Division	366	139	227	163%
Proceeds from Insurance Claim	0	(2,105)	(2,105)	(100%)
Relocation expenses*	428	0	428	100%
FDA Expenses	1,098	686	412	60%
Underlying EBITDA	**3,438**	**2,980**	**458**	**15%**

* Includes make good, moving costs and double rent associated with facility relocation from Lucas Heights to Kingsgrove NSW

Further information is included in Attachment 1.

3. Statement of financial performance

Refer Attachment 1.

4. Statement of financial position

Refer Attachment 1.

5. Statement of cash flows

Refer Attachment 1.

6. Statement of retained earnings

Refer Attachment 1.

7. Dividends

Refer paragraph 2.4

8. Dividend reinvestment plans

The Group does not have a dividend reinvestment plan.

9. Net tangible assets

Refer Attachment 1.

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

Control over entities

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

Loss of control over entities

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

Cyclopharm Limited
Appendix 4E

11. Details of associates and joint venture entities

Refer Attachment 1.

12. Significant Information

Refer Attachment 1.

13. Foreign Entities

Refer Attachment 1.

14. Commentary on results for the period

Refer Attachment 1.

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

The accounts are in the process of being audited.

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

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

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

Not applicable

Contact details:

Mr James McBrayer
Managing Director and Company Secretary
Cyclopharm Limited

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Email: jmcbrayer@cyclopharm.com.au

Appendix 4E

Preliminary Final Report

For the year ended 31 December 2016

cyclopharm

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

Managing Director's Report

MANAGING DIRECTOR'S REVIEW

Dear Shareholders,

Cyclopharm's record financial results in 2016 highlight the benefits of the clear strategy and proven execution track record. Further growth and profitability is expected as we continue to successfully implement of our strategic priorities. Cyclopharm is building a larger, more profitable health care company, with growing sales in new markets, wider therapeutic applications and the profitable development of complementary technologies.

Key highlights of Cyclopharm's financial results for the 2016 year included:

- Record sales revenue of $14.39 million
- Record Technegas division Operating EBITDA of $3.44 million
- NPAT of $0.89 million
- Cash flow from operations of $0.65 million
- Net cash at year-end of $4.6 million
- Final dividend of 0.5 cents per share (Full year totaling 1.0 cent per share [partially franked])

Following our strategic decision in 2014 to focus our business on leveraging our patented technologies, Cyclopharm is now a more targeted, profitable, cash-generative business supported by a healthy balance sheet and an active research and development pipeline. Strength in R&D and a positive reputation in the global nuclear medicine market are key factors in delivering the benefits of Cyclopharm's business strategy for shareholders.

The successful implementation of our strategy saw the Company generate record sales revenue of $14.39 million during the year (2015: $12.6 million), and Underlying EBITDA[1] of $3.4 million (2015:$2.98 million).

We continue to remain a fiscally disciplined company, generating healthy cash flows whilst investing in the business to grow shareholder value.

Cyclopharm achieved significant success during 2016 from implementing its strategic priorities, which are to:

1. Simplify the business strategy so the Company's full focus is delivering on our well-advanced transformational opportunities;
2. Accelerate the path to regulatory approval to sell Technegas into the US, the world's largest and highly prospective healthcare market;
3. Pursue sales of Technegas in new applications, principally Chronic Obstructive Pulmonary Disease ('COPD'), which is a significantly larger market than the Pulmonary Emboli (PE) market where Cyclopharm traditionally operates;
4. Grow the established business, based on expanding Technegas sales in existing markets; and
5. Position the Company to commence sales in 2017 of Ultralute™ nuclear medicine complementary technology.

Our relentless focus on these priorities delivered solid financial results for the year, supporting further investment in growth opportunities and dividend payments to shareholders.

[1] Underlying EBITDA represents results from the Technegas division excluding one off items (Insurance/Litigation settlement and costs/lease termination and double rent period costs), and FDA Expenses

Managing Director's Report
Continued

GROUP FINANCIAL PERFORMANCE

During 2016 our Technegas Patient Administration Sets (PAS) and TechnegasPlus Generators (Generator) businesses experienced steady organic growth. We made excellent progress in pursuing opportunities for new markets and new applications of Technegas.

Our record revenue of $14.39 million was 14% higher than in 2015, driven by higher unit sales of Technegas generators, up 95%, and a 10% growth in unit sales of PAS kits.

This result was assisted by an order from our Chinese distributor consisting of 50 Technegas Generators and 250 boxes of PAS, valued at $1.38 million. PAS sales increased by $0.64 million, driven by volume growth in Australasia, Europe and Latin America. Revenue from Generator sales grew 76% over the year to $2.97 million, while service revenue in markets where we distribute our products directly fell by 7% to $0.64 million.

Reflecting the change in sales mix towards Technegas generators in the second half of the year, the group's gross margins declined marginally versus the prior year from 80% to 78%.

An ongoing focus on managing operating expenses enabled Cyclopharm to expand its Underlying EBITDA margins, which improved slightly to 23.9% in 2016 from 23.7% in the prior year, and Underlying EBITDA of $3.4 million, $458,000 higher than 2015.

Reported NPAT for the year was $891,368 (2015: $4,793,047), representing Basic Earnings per Share of 1.60 cents.

The movement in NPAT from 2015 includes a reversal to income tax expense (2016: $529,975 expense vs 2015: $702,705 benefit), a one-off insurance receipt in 2015 of $2.1 million and increased USFDA clinical trial costs ($1.1 million in 2016 vs $0.7 million in 2015) as the company ramped up its pursuit of this key market for the next phase of its growth strategy.

Continued strong growth in Underlying EBITDA supported the Board's decision to declare a full year dividend of 0.5 cent per share, bringing total dividends for 2016 to 1.0 cent per share, which it expects to grow over time.

Cyclopharm's Underlying Results[2]

YEAR ENDED 31 DECEMBER	2016 $'000	2015 $'000	INC/(DEC) $'000	CHANGE %
Sales revenue	**14,386**	**12,583**	**1,803**	**14%**
GROSS MARGIN	11,182	10,108	1,074	11%
GROSS MARGIN % SALES	77.70%	80.30%	-2.60%	
Consolidated EBITDA	**1,546**	**4,260**	**-2,714**	**-64%**
ADD BACK:				
CPET / ULTRALUTE™ DIVISION	366	139	227	163%
PROCEEDS FROM INSURANCE CLAIM	0	-2,105	-2,105	-100%
RELOCATION EXPENSES*	428	0	428	100%
FDA EXPENSES	1,098	686	412	60%
Underlying EBITDA	**3,438**	**2,980**	**458**	**15%**

* Includes make good, moving costs and double rent associated with facility relocation from Lucas Heights to Kingsgrove NSW

[2] Underlying Results represent results from the Technegas Division excluding one off items (Insurance/Litigation settlement and costs/lease termination and double rent period costs), and FDA Expenses.

Managing Director's Report
Continued

Cyclopharm continues to maintain a strong cash position to support investments in research and development and product trials which are expected to form the basis of ongoing growth in shareholder value.

Cashflow from operations of $0.65 million was predominantly driven by operating cash generated by the Technegas division of $2.01 million. This positive operating cashflow was negatively impacted by approximately $0.43 million of one-off relocation expenses.

Our strong and growing cashflow supported our investment in ongoing USFDA trials, $1.5 million in capex for the new Kingsgrove factory and the payment of dividends. It also enabled the Company to finish the year with a net cash balance of $4.59 million.

GROUP OPERATING PERFORMANCE

During 2016, Cyclopharm's core operations continued to perform strongly and further significant progress was made in implementing our strategy of growing shareholder value through entering new markets and developing new therapeutic applications for Technegas, as well as bringing new technologies, such as Ultralute™, to market. Operating highlights for the year included:

- Technegas sales continued to grow in most major markets
- Positive initial results from Technegas trials in China were achieved - furthering the Company's strategy to expand Technegas beyond the pulmonary embolism (PE) market.
- Significant progress was made in seeking USFDA approval to market and distribute Technegas in the United States
- Ultralute™ technology was introduced to the market and is on track for 2017 sales

Sales volumes from our core Technegas business continued to grow over the year, with strong volume growth experienced in the Australasian, North American and European markets. Revenue from sales of PAS units grew 6% over the prior year, benefiting from a 10% increase in volumes and a continued low Australian dollar.

Revenue from Technegas Generator sales grew by 76% over the prior year. The significantly higher sales of generators included the company's single largest order consisting of 50 Technegas Generators and 250 boxes of PAS, valued at $1.38 million. As announced to the ASX in June 2016, this order from its Chinese distributor was a seeding initiative. This initial order is expected to provide a platform for significantly greater, higher margin, PAS kit sales in that market from 2018.

In November 2016 Cyclopharm announced that it received agreement from the United States Food and Drug Administration after filing a Special Protocol Assessment (SPA) for its proposed clinical trial design for Technegas. An SPA is an advanced declaration from the Food and Drug Administration that an uncompleted Phase III trial's design, clinical endpoints, and statistical analyses are acceptable for FDA approval. Achieving this approval was a significant milestone on our pathway to achieving approval for Technegas in the largest nuclear medicine market in the world.

During 2016 the company continued to fine tune the design and performance of its Ultralute™ technology. Ultralute™ is a unique device that extends the useful life of Molybdenum-99 (Mo-99) generators, the most commonly used medical isotope in the world, by up to 50 per cent. When Mo-99, which has a half-life of 2.75 days, decays it produces Technetium-99m (Tc-99m) that has a half-life of 6 hours. Global interest in Ultralute™ is strong, with initial revenue from Ultralute™ sales expected to be recorded in 2017 from the European market.

Managing Director's Report
Continued

In June 2016 we announced the expansion of our management team with the addition of Dr Michael Guo. As Clinical Program Director, Dr Guo will be executing our strategies of expanding the use of Technegas by developing new indications and expanding the use of our products in China. Additionally, at the end of 2016 Mr Mathew Farag joined Cyclopharm as Chief Operating Officer, with employment commencing January 2017.

SUMMARY

2016 was another outstanding year of achievement for Cyclopharm. Our more focused business, leveraging our existing proven technologies, continued to deliver on its potential. This allowed shareholders to directly benefit from a profitable, growing business through ongoing dividend payments and an appreciating share price.

The Company's core Technegas business reported record sales and growth in underlying EBITDA for the third consecutive year. We recorded healthy organic growth from Technegas products and made significant progress on our strategy of entering new markets, such as Russia, China, Japan, and the USA as well as expanding the use of Technegas in new diagnostic applications.

We delivered on our promise to introduce the new and complementary Ultralute™ product to the market and look forward to recording the first revenues from this technology in the first half of 2017.

Our strong operational cash flows supported our ongoing FDA trials, further investment in R&D and the opening of our new facility in Kingsgrove, NSW.

Excluding the China market, the Board expects Cyclopharm's profitability and cash flow to record further growth in 2017 as a result of additional volume growth in our established markets and supported by a growing awareness and uptake of our core products internationally. Growth from China is expected to occur from late 2018 following the deployment of the 50 Technegas Generators and 250 PAS delivered in December 2016.

OUTLOOK

The Directors maintain their view that FDA approval to sell Technegas into the US market will provide Cyclopharm with the opportunity to significantly expand Cyclopharm's sales and profitability.

As a result of simplifying its business strategy, Cyclopharm's operating model has become more focused and our profitability and growth prospects have been greatly enhanced, as evidenced by our encouraging 2016 operating results. We are now in a significantly stronger position to realise the potential of the highly profitable and cash-generating Technegas business in international markets and to finalise the development of Ultralute™.

In November 2016, we were pleased to announce that Cyclopharm had received USFDA approval for its Technegas trial design. The approval means that the USFDA trial and approval process are on track for completion by mid-2018.

We also continue to actively pursue the regulatory approvals to commence sales in other promising new markets such as Russia and other countries within the European Union.

The opportunities for developing additional Technegas indications, particularly for COPD, will continue to be a key priority. If successful, there is significant potential to expand Technegas' revenue and profitability over the medium to longer term.

Managing Director's Report
Continued

We continue to focus on moving towards commercial production of the exciting Ultralute™ technology while simultaneously entering into discussions with potential commercial partners. We remain excited about the potential for Ultralute™ to significantly contribute to the next stage of Cyclopharm's growth.

As a team, we are continually reviewing our organisational readiness to ensure that we have the appropriate level of managerial and governance expertise to deliver on our objectives. An example of our preparedness can be seen in our recently-opened new manufacturing facility and the new clinical expertise recently brought into the company to assist in the delivery of our growth objectives.

Whilst the precise timing of achieving milestones, such as generating Technegas sales for new indications such as COPD and asthma are necessarily uncertain, the prospects for your Company are outstanding.

In summary, I expect Cyclopharm to achieve further underlying solid sales and earnings growth in 2017 and to maintain its healthy capital position. I look forward to continuing to report to our shareholders as we gain momentum in realising our profitable growth objectives and delivering rewards to our investors.

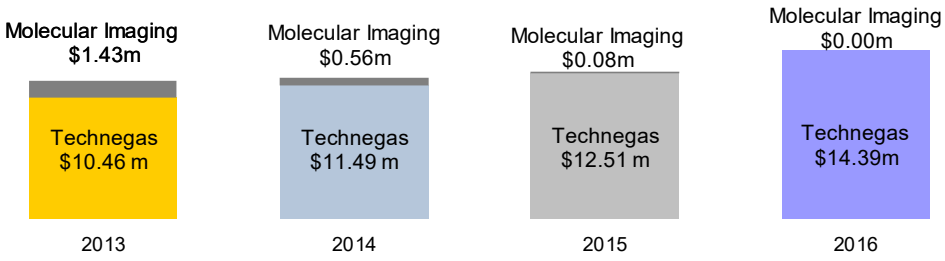
I thank all of my colleagues who have contributed to the growth of the Company over recent years and assure you that the Cyclopharm management team, with the ongoing support of the Board, remains absolutely committed to delivering growing financial rewards to our shareholders.

James McBrayer
Managing Director

Managing Director's Report
Continued

REVIEW OF OPERATIONS

Group Revenue by Segment

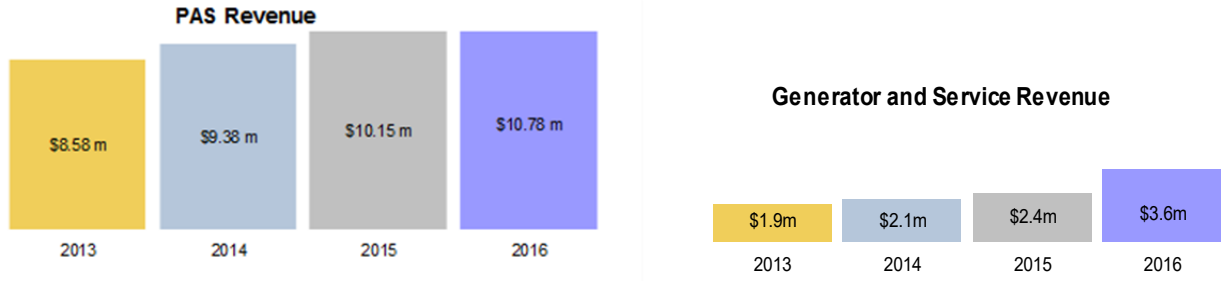


TECHNEGAS

Technegas is a lung imaging agent used primarily to diagnose the presence of blood clots in the lungs known as Pulmonary Emboli (PE). For the last 29 years, over three million patients have benefited from the Technegas system. Technegas, an Australian invented technology, is recognised globally as the nuclear medicine agent of choice for functional lung imaging.

Technegas' continued growth in sales demonstrates its ongoing relevance to the medical industry and provides the Company with secure and growing sales and cash flows.

Revenue Composition



Sales revenue of $14.39 million from the segment's key products, PAS and Generators, grew by 14.3% over the preceding year (2015: $12.51 million). Underlying EBITDA margins as a percentage of sales increased from 23.7% to 23.9% in 2016.

Revenue from PAS and its consumables represented 75% of the segment's revenue in 2016 and was 6% higher at $10.78 million in 2016 compared to 2015 ($10.14 million) due to a 10% increase in volumes and a continued low Australian dollar.

Technegas Generator sales and other service revenue was $3.6 million for the year, up 52.5% on the prior year (2015: $2.4 million). The increase was a result of a 95% increase in Generator sales volume. This was partly offset by a small decline in service revenue to $0.64 million (2015: $0.68 million).

Managing Director's Report
Continued

REGIONAL REVIEW

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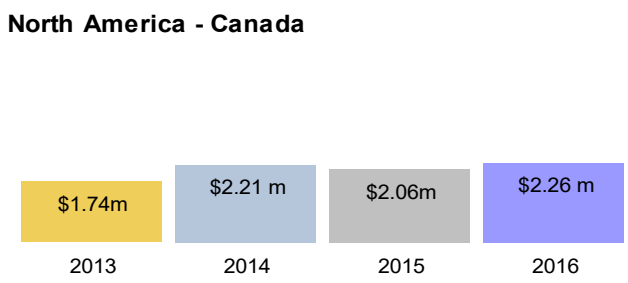
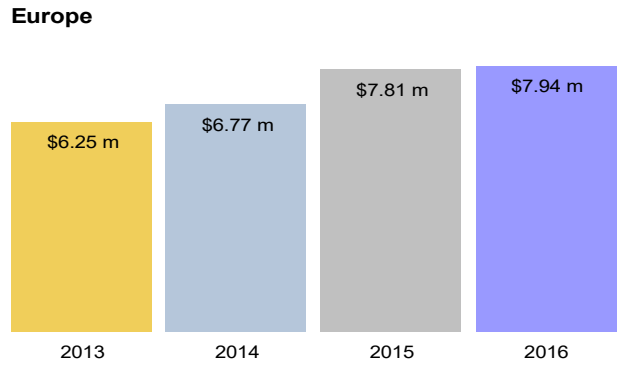


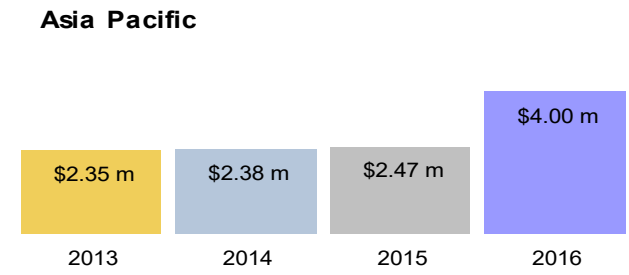
North America – Canada

Canada is the largest Technegas country market globally with 11 generators (2015: 4) and 882 PAS boxes (2015: 854) sold in 2016. The continued improvement in PAS sales in this region represents the 13th consecutive year of sales volume growth. Canada recorded total revenue of $2.26 million in 2016 (2015: $2.06 million). The Canadian market represents a strong indicator for anticipated take up rates in the United States following approval to sell Technegas in that market.



Europe

Approximately 56% of sales revenue is derived in Europe (2015: 64%). Overall sales revenue was 2% higher at $7.94m (2015: $7.81m). Improvement in sales revenue was driven by 2,194 PAS boxes sold in Europe in 2016, up 3% on 2015 (2,136 PAS boxes) offset by marginally lower Generator sales, with 43 sold in 2016 compared with 44 in the prior year.



Asia Pacific

Revenues in the Asia Pacific region grew by 62% in 2016. In Australia, revenue was higher with an increase in generator sales in 2016 (9 units) compared to 2015 (4 units) offset by a 1% decrease in PAS boxes sold in 2016 (656 PAS boxes) compared to 2015 (665 PAS boxes). In Asia, sales revenue grew phenomenally, up 138%, driven by a 700% increase in Generators sold in 2016 (56 units) compared to 2015 (7 units) in addition to an 148% increase in PAS boxes sold in 2016 (409 PAS boxes) compared to 2015 (165 PAS boxes). The significantly higher sales of Technegas generators included the company's single largest Technegas order consisting of 50 Technegas Generators and 250 boxes of PAS, valued at $1.38 million. This order from its Chinese distributor was a seeding initiative, which is expected to provide a platform for significantly higher PAS kit sales in that market from 2018.

Managing Director's Report
Continued

North America – USA

Gaining USFDA approval to sell Technegas in the United States market is a major priority for the Company. Cyclopharm believes the US market has the potential to be the largest market for Technegas globally, and could therefore drive a substantial increase in shareholder value. To facilitate this, Cyclopharm has been undertaking USFDA trials of Technegas in the US in order to gain those regulatory approvals.

In November 2016, Cyclopharm announced it had received USFDA approval for its Technegas trial design through a Special Protocol Assessment process. The approval means that the USFDA trial and approval process are on track for completion by mid-2018.

The clinical trial program is designed to compare Technegas against Xe-133, the only approved nuclear medicine ventilation imaging agent in the USA. Cyclopharm is seeking a structural indication in a non-inferiority protocol including 240 patients across a number of respiratory disease states. The first phase of the trial, already submitted and reviewed by the USFDA, was a desk-top study designed to determine both the inter and intra reader variability of Xe-133 as well as determining the number of patients required for the Phase III study.

It is expected that the trial will be conducted at 10-15 clinical sites with final recruitment targeted for the second half of calendar 2017 and USFDA approval expected in the middle of next year. We remain confident that the application for market entry into the United States will ultimately be successful, due to Technegas' existing global footprint and long-standing successful safe and efficacious track record of use. The United States represents a major growth opportunity and has the potential to become the largest single market for Technegas. The Directors are therefore determined to continue to actively pursue USFDA approval but will ensure we cautiously and prudently manage the costs of doing so. In 2016 $1.1 million was expended on the USFDA clinical trial program (2015: $686,410).

In late 2015, Cyclopharm announced its intention to enter into a licensing agreement with Jubilant Draximage (JDI) for the registration and distribution of Technegas in the United States. Despite several months of negotiations, the two companies were not able to reach agreement on the final terms. As a result, the Company notified JDI in May 2016 of its decision to move forward independently with its USFDA clinical trial program. The two companies have agreed to continue to discuss potential commercial opportunities once USFDA approval for Technegas is achieved.

Notwithstanding this, the Company will consider alternatives such as partnerships or licensing arrangements which may assist in accelerating commercialisation in the United States market. However, at this point, Cyclopharm is progressing expansion into this market independently.

As the USFDA approval process moves forward, the Directors advise that additional expenditure on the USFDA trials will continue to be expensed until approval is achieved. This is a prudent and conservative approach, notwithstanding the confidence of the Directors that such approval will ultimately be given.

The total cost of the USFDA trial and registration program is expected to be less than US$7 million. For the full year 2016, these expenses totalled $1,098,505 compared to $686,410 in 2015.

NEW INDICATION DEVELOPMENT

Cyclopharm continues to make progress in developing new indications for Technegas. Other disease states beyond PE, which include COPD, asthma, CTEPH, lung transplants and lung cancer, offer significant market opportunities for Technegas. These are currently being targeted through clinical studies, such as the recently completed Chinese COPD trials. We estimate that the global COPD market alone is 30 times the size of the PE market. Technegas has the potential to be used not only for early diagnosis of COPD but also on a recurrent basis for COPD management.

In January 2016, we were delighted to announce positive preliminary trial results from our ongoing clinical trial in China, targeting the use of Technegas for the diagnosis of COPD. Specifically, the preliminary results of the trials showed Technegas was effective at diagnosing the extent of emphysema in trial patients and at an earlier stage of the disease than standard diagnostic methods. Technegas was also more accurate at measuring impairment in lung function and therefore better able to monitor the effectiveness of treatment.

While these positive preliminary trial results were anticipated, they provide a platform for the Company to present the findings to clinicians globally at medical conferences and through peer-reviewed published papers, in order to encourage the usage of Technegas in not only the diagnosis and treatment monitoring of COPD but also the expansion of the traditional market of diagnosing PE.

Confirmation of the efficacy of Technegas for treating COPD may lead to a significant expansion of the sales of Technegas globally. COPD is currently the fourth leading cause of death worldwide, and the World Health Organisation (WHO) predicts it will rise to the third leading cause by 2030. The Lung Foundation Australia estimates that approximately over 1.45 million Australians have some form of COPD. This represents approximately one in seven Australians over age 40. 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.

The commencement of the pilot clinical trial in China 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.

Preliminary results of the trials early in 2016 showed Technegas was effective at diagnosing the extent of emphysema in trial patients and at an earlier stage of the disease than standard diagnostic methods.

Preliminary results from the trial in several Chinese hospitals are the subject of three abstracts, which were submitted for display at the European Respiratory Society's conference in London in September 2016 with peer-reviewed publications expected to be published in early 2017.

Our participation at the European Respiratory Society's conference and at the Chinese Thoracic Society meeting (also in September) and the Asian Pacific Society of Respirology conference in November 2016, were important initiatives to actively engage with referring physicians. We believe this engagement will assist both the promotion of additional indications for Technegas and support the existing use of our product in the detection of PE.

In 2017, Cyclopharm intends to present at a number of respiratory focused conferences to educate clinicians on the benefits of Technegas in the treatment and monitoring of their patients. Additionally, the Company plans to make a number of small targeted investments to

partner with other researchers and organisations, with the aim of expanding the number and types of trials and published results verifying the benefits of Technegas to relevant referring physicians and clinicians.

The Cyclopharm Board believes that the global COPD, asthma and lung cancer markets represent significant opportunities for the company to expand sales of Technegas materially, and that these markets have the potential to be a significant driver of shareholder value over the medium term.

Based on the success of our work in China, the Company has commenced discussions with leading respiratory and nuclear medicine physicians in some of our more established markets with a view to initiating additional pilot clinical trials targeting applications in chronic respiratory disease states.

The next of these initiatives to commence, announced in October 2016, will be a combined collaboration with the University of Newcastle, Hunter Regional Medical Institute and John Hunter Hospital.

The study will seek to test two specific hypotheses:

1. There is ventilation heterogeneity among patients with severe obstructive airway diseases that can be assessed using Technegas functional lung ventilation imaging with quantification; and
2. Technegas functional lung ventilation imaging with quantification is responsive to change following intervention in patients with severe obstructive airway diseases.

The implication in advancing these hypotheses further could expand the use of Technegas by improving the diagnosis and management of patients with Chronic Obstructive Pulmonary Disease (COPD) and other small airways diseases.

Recruitment will commence during the first half of 2017. The trial is expected to be conducted throughout 2017 with results expected in early 2018. The cost of the trial is estimated to be approximately $600,000.

ULTRALUTE ™

Cyclopharm's patented nuclear medicine technology Ultralute™ extends the useful life of Molybdenum-99 (Mo-99) generators by up to 50%. This technology potentially gives nuclear medicine departments the ability to dramatically improve operating efficiencies and health outcomes for patients.

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 2.75 days. It then decays to Tc-99m, which has a 6-hour half-life. 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. Global industry interest in our Ultralute™ technology is strong and continues to accelerate.

In early 2016 the International Atomic Energy Agency (IAEA) held a scientific summit to review emerging technologies in the production and supply of Molybdenum-99 (Mo99). During the IAEA sponsored review, Cyclopharm's new technology Ultralute™ was recognised for its optimisation of the isotope Tc99m.

Following a recommendation from summit participants, the IAEA has formally invited Cyclopharm to collaborate in launching a multi-country, multi-centre evaluation of Ultralute™ in 2017.

The invitation from the IAEA represents significant recognition for the technology's potential. In particular, Cyclopharm notes that in its invitation the IAEA referred to Ultralute™ as a "new innovation…that has significant global potential in the nuclear medicine supply chain".

First commercial sales of Ultralute™ are expected in the first half of 2017.

JOINT VENTURE - MACQUARIE MEDICAL IMAGING

Cyclopharm's medical imaging joint venture, MMI, provides patients at Macquarie University Hospital (MUH) and neighbouring suburbs with 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. Sales revenue increased 8% in 2016 as result of initiatives being implemented at MUH, including a new breast cancer clinic and expanded specialties such as cardiothoracic services, cancer care services and expanded PET indications.

In November 2016 MMI opened a satellite practice located at the nearby Macquarie Shopping Centre. Services at the Macquarie Shopping Centre are limited to high volume procedures to include x-ray, ultrasound and CT. Initial trading results are encouraging with the location drawing patients, shoppers, employees and the numerous businesses in the immediate business district.

The joint venture is accounted for on an equity basis due to Cyclopharm's minority shareholding. As a result, MMI's full accounts are not consolidated into our accounts.

MOLECULAR IMAGING TRADING AS CYCLOPET

Cyclopharm continues to consider the long-term status of its Cyclotron facility, for which the Company received a net $2.1 million in insurance proceeds in December 2015 following substantial water damage from attempts by the authorities to extinguish a fire in the carpark on the floor above the facility in June 2014.

Our goal is to achieve ongoing use of the Cyclotron facility and active negotiations are continuing.

Managing Director's Report
Continued

NEW CORPORATE HEADQUARTERS

Cyclopharm has established new corporate headquarters and an operational facility at Kingsgrove NSW, a suburb of Sydney.

The new production facility will provide the necessary operational capacity required to support Technegas' organic growth in existing markets and ultimate expansion of Technegas into the sizable and lucrative United States market.

The fit-out process and relocation did not impact Cyclopharm's ongoing R&D, operational performance or ability to fund growth initiatives or USFDA trials. Total cash costs of the fit-out were approximately $1.4 million, which have been capitalised and will be amortised as leasehold improvement costs over the ten-year lease period, in accordance with accounting principles.

Statement of Comprehensive Income

for the year ended 31 December 2016

UNAUDITED

		Consolidated	
		2016	2015
	Notes	$	$
CONTINUING OPERATIONS			
Sales revenue	4	14,385,507	12,582,519
Finance revenue		47,308	46,210
Other revenue	4	-	2,104,689
Total revenue		**14,432,815**	**14,733,418**
Cost of materials and manufacturing	4a	(3,519,127)	(2,671,671)
Employee benefits expense	4e	(3,718,776)	(3,305,078)
Advertising and promotion expense		(281,302)	(340,945)
Depreciation and amortisation expense	4c	(106,392)	(144,176)
Freight and duty expense		(469,068)	(450,840)
Research and development expense	4d	(1,157,422)	(726,992)
Administration expense	4f	(3,110,536)	(2,365,849)
Other expenses	4g	(630,897)	(612,108)
Profit before tax and finance costs		**1,439,295**	**4,115,759**
Finance costs	4b	(17,952)	(25,417)
Profit before income tax		**1,421,343**	**4,090,342**
Income tax (expense) / benefit	5	(529,975)	702,705
Net Profit for the year		**891,368**	**4,793,047**
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)		(1,082,967)	700,759
Total comprehensive (loss) / income for the year		**(191,599)**	**5,493,806**
Earnings per share (cents per share)	6	**cents**	**cents**
-basic earnings per share for continuing operations		1.60	8.61
-basic earnings per share		1.60	8.61
-diluted earnings per share		1.55	8.35

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 2016

UNAUDITED

	Notes	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current Assets			
Cash and cash equivalents	7	4,590,760	6,444,995
Trade and other receivables	8	3,738,193	4,420,505
Inventories	9	2,633,104	2,208,613
Other assets		98,881	23,956
Total Current Assets		**11,060,938**	**13,098,069**
Non-current Assets			
Property, plant and equipment	10	2,340,655	631,706
Investments accounted for using the equity method	11	-	-
Intangible assets	12	1,717,386	1,311,719
Deferred tax assets	5	1,296,015	1,499,423
Total Non-current Assets		**5,354,056**	**3,442,848**
Total Assets		**16,414,994**	**16,540,917**
Liabilities			
Current Liabilities			
Trade and other payables	13	2,804,632	1,754,383
Interest bearing loans and borrowings	14	-	45,877
Provisions	15	923,242	945,129
Tax liabilities	5	27,839	475,428
Deferred income liabilities	16	140,113	-
Total Current Liabilities		**3,895,826**	**3,220,817**
Non-current Liabilities			
Interest bearing loans and borrowings	14	-	151,499
Provisions	15	53,510	58,544
Deferred tax liabilities	5	3,855	7,814
Total Non-current Liabilities		**57,365**	**217,857**
Total Liabilities		**3,953,191**	**3,438,674**
Net Assets		**12,461,803**	**13,102,243**
Equity			
Contributed equity	17	14,962,967	14,962,967
Employee equity benefits reserve		603,622	495,845
Foreign currency translation reserve		(905,307)	177,660
Accumulated losses		(2,199,479)	(2,534,229)
Total Equity		**12,461,803**	**13,102,243**

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 2016

UNAUDITED

		Consolidated	
		2016	2015
	Notes	$	$
Operating activities			
Receipts from customers		14,980,856	11,393,495
Insurance settlement proceeds		-	2,104,689
Payments to suppliers and employees		(13,717,416)	(9,504,625)
Interest received		47,308	46,210
Borrowing costs paid		(17,952)	(25,417)
Income tax received		(638,002)	140,482
Net cash flows from operating activities	7	**654,794**	**4,154,834**
Investing activities			
Purchase of property, plant and equipment		(1,795,214)	(12,412)
Payments for deferred expenditure		(425,794)	(639,242)
Net cash flows used in investing activities		**(2,221,008)**	**(651,654)**
Financing activities			
Dividends paid		(556,618)	(278,309)
Repayment of bank borrowings		(197,376)	(48,355)
Net cash flows used in financing activities		**(753,994)**	**(326,664)**
Net (decrease) / increase in cash and cash equivalents		**(2,320,208)**	**3,176,516**
Cash and cash equivalents			
- at beginning of the period		**6,444,995**	**3,268,425**
- net foreign exchange differences from translation of cash and cash equivalents		465,973	54
- at end of the year	7	**4,590,760**	**6,444,995**

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 2016

UNAUDITED

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 2015	**20,296,125**	**(5,333,158)**	**14,962,967**	**(7,048,967)**	**(523,099)**	**365,259**	**7,756,160**
Profit for the year	-	-	-	4,793,047	-	-	4,793,047
Other comprehensive income	-	-	-	-	700,759	-	700,759
Total comprehensive income for the year	**-**	**-**	**-**	**4,793,047**	**700,759**	**-**	**5,493,806**
Dividends paid	-	-	-	(278,309)	-	-	(278,309)
Cost of share based payments	-	-	-	-	-	130,586	130,586
Total transactions with owners and other transfers	**-**	**-**	**-**	**(278,309)**	**-**	**130,586**	**(147,723)**
Balance at 31 December 2015	**20,296,125**	**(5,333,158)**	**14,962,967**	**(2,534,229)**	**177,660**	**495,845**	**13,102,243**
Balance at 1 January 2016	**20,296,125**	**(5,333,158)**	**14,962,967**	**(2,534,229)**	**177,660**	**495,845**	**13,102,243**
Profit for the year	-	-	-	891,368	-	-	891,368
Other comprehensive loss	-	-	-	-	(1,082,967)	-	(1,082,967)
Total comprehensive loss for the year	**-**	**-**	**-**	**891,368**	**(1,082,967)**	**-**	**(191,599)**
Dividends paid	-	-	-	(556,618)	-	-	(556,618)
Cost of share based payments	-	-	-	-	-	107,777	107,777
Total transactions with owners and other transfers	**-**	**-**	**-**	**(556,618)**	**-**	**107,777**	**(448,841)**
Balance at 31 December 2016	**20,296,125**	**(5,333,158)**	**14,962,967**	**(2,199,479)**	**(905,307)**	**603,622**	**12,461,803**

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

1. CORPORATE INFORMATION

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

During the year, the principal continuing activities of the consolidated entity (the "Group") consisted of the manufacture and sale of medical equipment and radiopharmaceuticals, including associated research and development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

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

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

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

The financial report is presented in Australian dollars.

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

Consolidated financial statements

The Group adopted the following Australian Accounting Standards (new and amended) from the mandatory application date of 1 January 2016. The new and amended Standards are not expected to have a significant impact on the Group's financial statements.

AASB 1057: Application of Australian Accounting Standards

This Standard deletes the application paragraphs previously contained in each Australian Accounting Standard (or interpretation) and moves them into this Standard. The application requirements of each other Australian Accounting Standard have not been amended.

AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016)

This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method as per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 31 December 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity upon initial application of the Standard.

AASB 2014-4: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

These amendments to AASB 116 and AASB 138 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The standard also clarified that revenue is generally presumed to be an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

AASB 2014-6: Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141)

AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants amends AASB 116 and AASB 141 to add a definition of bearer plant and includes bearer plants within the scope of AASB 116 instead of AASB 141.

AASB 2014-9: Equity Method in Separate Financial Statements (Amendments to AASB 127)

Amends IAS 27 to permit entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

AASB 2015-1: Annual Improvements to Australian Accounting Standards 2012-2014

This Standard makes amendments to various Accounting Standards arising from the IASB's Annual Improvements process, namely:

AASB 5 – changes in methods of disposal from sale to distribution
AASB 7 – applicability of disclosures to servicing contracts and interim financial statements
AASB 119 – clarifies that the government bond rate used in measuring employee benefits should be those denominated in the same currency
AASB 134 – permits the cross referencing of disclosures elsewhere in the financial report

AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

The Standard amends AASB 10, AASB 12 and AASB 128:

a) to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of AASB 10 is available to a parent entity that is a subsidiary of an investment entity;
b) to clarify the applicability of AASB 12 to the financial statements of an investment entity; and
c) to introduce relief in AASB 128 to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

AASB 2015-9: Amendments to Australian Accounting Standards – Scope And Application Paragraphs

These amendments correct previous drafting errors resulting from the introduction of AASB 1057 and reintroduce the scope paragraphs of AASB 8 and AASB 133 into those Standards.

There is no change to the requirements or the applicability of AASB 8 and AASB 133.

c) New Accounting Standards and Interpretations Not Yet Adopted

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:

Applicable to annual reporting periods beginning on or after 1 July 2016:

AASB 2014-1: Amendments to Australian Accounting Standards (Part D)

Part D of this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, which arise from the issuance of AASB 14: Regulatory Deferral Accounts in June 2014. AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. In line with management's assessment of AASB 14, this part is not expected to have a significant impact on the Group's financial statements.

Applicable to annual reporting periods beginning on or after 1 January 2017, these amendments to Standards are not expected to have a significant impact on the Group's financial statements:

AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

This Standard amends AASB 112 Income Taxes to clarify the circumstances in which the recognition of deferred tax assets may arise in respect of unrealised losses on debt instruments measured at fair value.

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This Standard amends AASB 107 Statement of Cash Flows to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New Accounting Standards and Interpretations Not Yet Adopted (continued)

Applicable to annual reporting periods beginning on or after 1 January 2018:

AASB 2016-3: Amendments to Australian Accounting Standards – Clarification to AASB 15

This Standard amends AASB 15 Revenue from Contracts with Customers to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15. This amended Standard is not expected to have a significant impact on the Group's financial statements.

AASB 2014-10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)

Amend AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2015-10. These amended Standards are not expected to have a significant impact on the Group's financial statements.

AASB 9: Financial Instruments and associated Amending Standards

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2016-5: Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

This Standard amends AASB 2 Share-based Payment to address:
(a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Although the Directors anticipate that the adoption of this amended Standard may have an impact on the Group's Share-based Payment Transactions, it is impracticable at this stage to provide a reasonable estimate of such impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New Accounting Standards and Interpretations Not Yet Adopted (continued)

AASB 15: Revenue from Contracts with Customers

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Applicable to annual reporting periods beginning on or after 1 January 2019:

AASB 16: Leases

AASB 16 replaces AASB 117 Leases and set out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date.

Although the Directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

f) Income tax

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

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

Tax consolidation

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

g) Property, plant and equipment

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

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

Impairment

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

Depreciation

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

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

	Basis	**Method**
Plant and equipment	5 - 33%	Straight-line method
Leasehold Improvements	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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

h) Investments Accounted For Using The Equity Method

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

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

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

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

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

i) Borrowing costs

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

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

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

j) Intangibles

Intangible assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

k) Inventories

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

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

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

l) Trade and other receivables

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

m) Cash and cash equivalents

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

n) Trade and other payables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Interest-bearing loans and borrowings

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

p) Provisions

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

q) Employee entitlements

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

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

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

r) Employee share and performance share schemes

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

The fair value of 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Leases

Operating Leases

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

t) Revenue recognition

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

Sale of goods

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

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").

u) Other taxes

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

v) Financial instruments

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

Loans and receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition of financial instruments

Financial liabilities

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

Impairment of financial assets

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

w) Contributed equity

Share capital

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

Other contributed equity

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

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

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

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

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

The consideration for the minority interests of the controlled entities and costs of acquisition have been charged to other contributed equity in accordance with *AASB 127 Consolidated and Separate Financial Statements*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

y) Fair Value

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key Estimates

Impairment – general

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

The Group's property, plant and equipment relating to the Cyclotron facility have been fully impaired, based on management's assessment that the fair value of those assets is nil in the current industry circumstances and the condition of the damaged assets. Extensive damage to the cyclotron facility caused by substantial water damage in June 2014 has delayed any decisions about the future use of the cyclotron facility until it is restored to its former operational status. Accordingly, the suspended cyclotron business is not considered to be a discontinued operation pending that decision and its outcome. Refer to Note 10.

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.

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.

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.

Key Judgements

Taxation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. 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 2016 and 31 December 2015.

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 2016 and 31 December 2015.

3. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2016	Technegas $	Consolidated Molecular Imaging $	Total $
Revenue			
Sales to external customers	14,385,507	-	14,385,507
Finance revenue	47,273	35	47,308
Other revenue	-	-	-
Total revenue	**14,432,780**	**35**	**14,432,815**
Result			
Profit / (loss) before tax and finance costs	**1,805,799**	**(366,504)**	**1,439,295**
Finance costs	(16,920)	(1,032)	(17,952)
Profit / (loss) before income tax	**1,788,879**	**(367,536)**	**1,421,343**
Income tax expense	(81,650)	(448,325)	(529,975)
Profit / (loss) after income tax	**1,707,229**	**(815,861)**	**891,368**
Assets and liabilities			
Segment assets	14,011,599	2,403,395	16,414,994
Segment asset increases for the period :			
- capital expenditure	1,862,181	-	1,862,181
Segment liabilities	(3,327,172)	(626,019)	(3,953,191)
Other segment information			
Depreciation and amortisation	(106,208)	(184)	(106,392)

3. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2015	Technegas $	Consolidated Molecular Imaging $	Total $
Revenue			
Sales to external customers	12,507,919	74,600	12,582,519
Finance revenue	46,158	52	46,210
Other revenue	-	2,104,689	2,104,689
Total revenue	**12,554,077**	**2,179,341**	**14,733,418**
Result			
Profit before tax and finance costs	**2,156,838**	**1,958,921**	**4,115,759**
Finance costs	(24,213)	(1,204)	(25,417)
Profit before income tax	**2,132,625**	**1,957,717**	**4,090,342**
Income tax (expense) / benefit	(428,002)	1,130,707	702,705
Profit after income tax	**1,704,623**	**3,088,424**	**4,793,047**
Assets and liabilities			
Segment assets	14,040,939	2,499,978	16,540,917
Segment asset increases for the period :			
- capital expenditure	26,097	-	26,097
Segment liabilities	(3,070,913)	(367,761)	(3,438,674)
Other segment information			
Depreciation and amortisation	(136,761)	(7,415)	(144,176)

3. SEGMENT REPORTING (continued)

Geographical Segments

	Consolidated				
For the year ended	**Asia Pacific**	**Europe**	**Canada**	**Other**	**Total**
31 December 2016	**$**	**$**	**$**	**$**	**$**
Revenue					
Sales to external customers	3,999,146	7,936,076	2,258,320	191,965	14,385,507
Finance revenue	47,308	-	-	-	47,308
Other revenue	-	-	-	-	-
Total segment revenue	**4,046,454**	**7,936,076**	**2,258,320**	**191,965**	**14,432,815**
Assets					
Segment assets	11,412,679	4,352,617	649,698	-	16,414,994

	Consolidated				
For the year ended	**Asia Pacific**	**Europe**	**Canada**	**Other**	**Total**
31 December 2015	**$**	**$**	**$**	**$**	**$**
Revenue					
Sales to external customers	2,544,362	7,811,516	2,061,950	164,691	12,582,519
Finance revenue	46,210	-	-	-	46,210
Other revenue	2,104,689	-	-	-	2,104,689
Total segment revenue	**4,695,261**	**7,811,516**	**2,061,950**	**164,691**	**14,733,418**
Assets					
Segment assets	11,538,026	4,130,569	872,322	-	16,540,917

4. REVENUES AND EXPENSES

	Notes	Consolidated 2016 $	Consolidated 2015 $
Revenue			
Sales revenue		14,385,507	12,582,519
Finance revenue		47,308	46,210
Other Revenue			
Insurance settlement		-	2,104,689
Total other revenue		-	2,104,689
Expenses			
a) Cost of materials and manufacturing			
Cost of materials and manufacturing		3,519,127	2,671,671
b) Finance costs			
Interest paid on loans from external parties		17,952	25,417
c) Depreciation and amortisation			
Depreciation of plant and equipment		83,412	109,041
Depreciation of leasehold improvements		2,853	728
Amortisation of intangibles		20,127	34,407
		106,392	144,176
d) Research & development expense			
FDA expenses		1,098,505	686,410
Research expenses		58,917	40,582
		1,157,422	726,992
e) Employee benefits expense			
Salaries and wages		3,206,362	2,826,861
Defined contribution superannuation expense		299,474	252,150
Non-Executive Director fees		105,163	95,481
Share-based payments expense	23a	107,777	130,586
		3,718,776	3,305,078
f) Administration expense			
Legal and professional costs		1,099,628	1,000,331
Office and facility costs		730,700	493,711
Operating lease expenses	19a	649,512	194,749
Travel and motor vehicle costs		630,696	677,058
		3,110,536	2,365,849
g) Other expenses			
Realised Foreign exchange losses		33,046	158,785
Unrealised Foreign exchange gains		(15,494)	(28,191)
Other		613,345	481,514
		630,897	612,108

5. INCOME TAX

	Consolidated	
	2016	2015
	$	$
The components of income tax (expense) / benefit comprise:		
Current income tax expense	(330,526)	(126,460)
Deferred tax (expense) / benefit	(199,449)	829,165
	(529,975)	**702,705**
A reconciliation of income tax (expense) / benefit applicable to accounting profit 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 profit before income tax	**1,421,343**	**4,090,342**
Statutory income tax rate of 30%	(426,403)	(1,227,103)
Effects of lower rates on overseas income	407,723	364,841
Expenditure not allowable for income tax purposes	(270,174)	(78,388)
Tax expense offset against carry forward tax losses		
Non-assessable recovery	-	691,407
Underprovision of previous years	-	(240,492)
Tax losses brought to account overseas	62,857	(18,828)
Temporary differences (reversed) / recognised in Australian group		
Molecular imaging plant and equipement	-	1,052,860
Other	(203,408)	(228,764)
Temporary differences recognised (reversed) / recognised overseas	(3,955)	19,536
Tax losses not recognised in Australian group	(95,430)	-
Tax losses not recognised overseas	(1,185)	-
Research and development tax offset	-	367,636
Total income tax (expense) / benefit	**(529,975)**	**702,705**
Effective income tax rate	(37.3%)	17.2%
Current income tax asset (liability)	**(27,839)**	**(475,428)**
Deferred tax assets		
Deferred tax assets from temporary differences on:		
Investments	709,012	1,130,608
Provisions and accruals	492,652	329,083
Other	94,351	39,732
Total deferred tax assets	**1,296,015**	**1,499,423**
Movements in deferred tax assets		
Opening balance	1,499,423	675,327
Deferred tax assets attributable to temporary differences brought to account	(203,408)	824,096
Closing balance	**1,296,015**	**1,499,423**
Deferred tax liabilities		
Deferred tax liabilities from temporary differences on:		
Provisions and accruals	3,855	7,814
Total deferred tax liabilities	**3,855**	**7,814**
Movements in deferred tax liabilities		
Opening balance	7,814	12,883
Reversal of temporary differences	(3,959)	(5,069)
Closing balance	**3,855**	**7,814**
Deferred tax assets for which no benefit has been recognised:		
- arising from temporary differences - at 30%	913,782	913,782
- arising from revenue tax losses - at 26.5%	40,542	27,983
- at 30%	95,430	-
- arising from capital tax losses - at 30%	23,657	23,657

6. NET TANGIBLE ASSETS AND EARNINGS PER SHARE

Net Tangible Assets per share

	Consolidated	
	2016	2015
	$	$
Net assets per share	0.21	0.22
Net tangible assets per share	0.18	0.20
	Number	Number
Number of ordinary shares for net assets per share	59,726,733	59,588,733
	2016	2015
	$	$
Net assets	12,461,803	13,102,243
Net tangible assets	10,744,417	11,790,524

The number of ordinary shares includes the effects of 138,000 Long Term Incentive Performance shares issued on 25 July 2016 (2015: 2,203,590 Long Term Incentive Performance shares issued on 13 July 2015) as set out in Note 17.

Earnings per share

	Consolidated	
	2016	2015
	cents	cents
Basic earnings per share for continuing operations	1.60	8.61
Basic earnings per share	1.60	8.61
Diluted earnings per share	1.55	8.35
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	55,771,695	55,698,356
Weighted average number of ordinary shares for diluted earnings per share	57,385,184	57,385,143
	2016	2015
	$	$
Earnings used to calculate basic earnings per share	891,368	4,793,047
Earnings used to calculate diluted earnings per share	891,368	4,793,047

The weighted average number of ordinary shares for basic earnings per share excludes the effects of 138,000 Long Term Incentive Performance shares issued on 25 July 2016, 2,203,590 Long Term Incentive Performance shares issued on 13 July 2015 set out in Note 17 and 1,723,456 Long Term Incentive Performance shares issued on 1 September 2014 as they are contingently returnable.

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2016	**2015**
	$	**$**
Cash at bank and in hand	4,590,760	6,444,995
Total cash and cash equivalents	**4,590,760**	**6,444,995**

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

The fair value of cash equivalents is $4,590,760 (2015: $6,444,995).

Reconciliation of Statement of Cash Flows	**2016**	**2015**
	$	**$**
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	4,590,760	6,444,995
	4,590,760	**6,444,995**
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net profit after tax	**891,368**	**4,793,047**
Adjustments for non-cash income and expense items:		
Depreciation	86,265	109,769
Amortisation	20,127	34,407
Movement provision for employee benefits	(26,921)	135,091
Movement in foreign exchange	(1,548,940)	700,705
Movement in employee benefits reserve	107,777	130,586
Movement in other provisions	12,038	41,528
	(458,286)	**5,945,133**
Increase/decrease in assets and liabilities:		
Decrease / (increase) in receivables	880,618	(1,280,994)
(Increase/ / decrease in inventories	(424,491)	76,040
(Increase) / decrease in other receivables	(285,269)	91,970
Decrease / (Increase) in deferred tax assets	203,408	(824,096)
Increase / (decrease) in creditors	1,050,249	(115,092)
(Decrease) / Increase in current tax liabilities	(447,589)	266,942
Decrease in deferred tax liabilities	(3,959)	(5,069)
Increase in deferred income liability	140,113	-
Net cash flow from operating activities	**654,794**	**4,154,834**

8. TRADE AND OTHER RECEIVABLES

		Consolidated	
		2016	2015
	Notes	$	$
Current			
Trade receivables, third parties		3,422,209	4,335,581
Provision for doubtful debts		(7,512)	(40,266)
Net Trade receivables, third parties	(i)	3,414,697	4,295,315
Other receivables	(ii)	323,496	125,190
Total Current trade and other receivables		**3,738,193**	**4,420,505**

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 20 Related Party Disclosures.

9. INVENTORIES

		Consolidated	
		2016	2015
	Notes	$	$
Current			
Raw materials at cost		1,257,819	840,671
Finished goods at lower of cost or net realisable value		1,375,285	1,367,942
Total inventory		**2,633,104**	**2,208,613**

10. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2016 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Total $
1 January 2016					
at written down value	363,193	6,728	261,785	-	631,706
Additions / Transfers	-	1,706,485	155,696	-	1,862,181
Disposals / Transfers	-	(749)	(45,149)	-	(45,898)
Foreign exchange translation	(14,817)	-	(6,252)	-	(21,069)
Depreciation for the year	(9,475)	(2,853)	(73,937)	-	(86,265)
31 December 2016					
at written down value	**338,901**	**1,709,611**	**292,143**	**-**	**2,340,655**
1 January 2016					
Cost value	2,415,837	3,039,243	7,758,964	120,901	13,334,945
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	(8,860,163)
Accumulated depreciation	(170,684)	(423,603)	(3,127,888)	(120,901)	(3,843,076)
Net carrying amount	**363,193**	**6,728**	**261,785**	**-**	**631,706**
31 December 2016					
Cost value	2,400,108	4,744,979	7,785,879	120,901	15,051,867
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	(8,860,163)
Accumulated depreciation	(179,247)	(426,456)	(3,124,445)	(120,901)	(3,851,049)
Net carrying amount	**338,901**	**1,709,611**	**292,143**	**-**	**2,340,655**

* Impairment arising from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014. Extensive damage to the cyclotron facility caused by substantial water damage in June 2014 has delayed any decisions about the future use of the cyclotron facility until it is restored to its former operational status. Accordingly, the suspended cyclotron business is not considered to be a discontinued operation pending that decision and its outcome. The Group initially recognises and measures its Land and Buildings, Plant and Equipment and Leasehold Improvements at cost. The Group subsequently measures some of its Buildings, Plant and Equipment and its Leasehold Improvements at fair value on a non-recurring basis in accordance with AASB 136*: Impairment of Assets.* Refer Note 2 (y).

The Fixed and Floating charge held by Allied Irish Banks plc. secured against the leasehold land and buildings in Ireland has been discharged as the loan was fully repaid on 7 March 2016 as set out in Note 14 (b).

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2015 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Total $
1 January 2015					
at written down value	371,248	10,689	347,070	56	729,063
Additions / Transfers	1,341	(3,233)	27,989	-	26,097
Disposals / Transfers	-		(2,991)	-	(2,991)
Foreign exchange translation	-	-	(10,694)	-	(10,694)
Depreciation for the year	(9,396)	(728)	(99,589)	(56)	(109,769)
31 December 2015					
at written down value	**363,193**	**6,728**	**261,785**	**-**	**631,706**
1 January 2015					
Cost value	2,414,496	3,042,476	7,753,898	120,901	13,331,771
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	(8,860,163)
Accumulated depreciation	(161,288)	(422,875)	(3,037,537)	(120,845)	(3,742,545)
Net carrying amount	**371,248**	**10,689**	**347,070**	**56**	**729,063**
31 December 2015					
Cost value	2,415,837	3,039,243	7,758,964	120,901	13,334,945
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	(8,860,163)
Accumulated depreciation	(170,684)	(423,603)	(3,127,888)	(120,901)	(3,843,076)
Net carrying amount	**363,193**	**6,728**	**261,785**	**-**	**631,706**

* Impairment arising from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014. Extensive damage to the cyclotron facility caused by substantial water damage in June 2014 has delayed any decisions about the future use of the cyclotron facility until it is restored to its former operational status. Accordingly, the suspended cyclotron business is not considered to be a discontinued operation pending that decision and its outcome. The Group initially recognises and measures its Land and Buildings, Plant and Equipment and Leasehold Improvements at cost. The Group subsequently measures some of its Buildings, Plant and Equipment and its Leasehold Improvements at fair value on a non-recurring basis in accordance with AASB 136*: Impairment of Assets.* Refer Note 2 (y).

The Fixed and Floating charge held by Allied Irish Banks plc. secured against the leasehold land and buildings in Ireland has been discharged as the loan was fully repaid on 7 March 2016 as set out in Note 14 (b).

Fair Value Measurement

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation techniques

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

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

The Cyclopharm Board decided to cease commercial production at its Cyclotron facility at the end of April 2014 due to the impact on the Group's profits of the government-owned competition from PetNet, a subsidiary of Federal Government owned ANSTO. In making that decision, the Board valued the Cyclotron facility, comprised of buildings, leasehold improvements and plant and equipment at a fair value of nil, using the market approach and income approach techniques. The market technique predominantly used recent observable market data for similar new equipment in Australia, adjusted for loss in value caused by physical deterioration, functional obsolescence, economic obsolescence and the particular industry specific aspects affecting this highly specialised asset i.e. the government-owned competition which had rendered further participation in the molecular imaging industry uneconomic and its future use uncertain. The same industry specific factors were applied to the income approach technique. Both techniques resulted in a fair value of nil being recognised for the Cyclotron facility as at 31 December 2014. Cyclopharm considers that the same conditions still apply at 31 December 2016. Furthermore, the damage caused to the Cyclotron facility in June 2014 has delayed any decisions about the future use of the Cyclotron facility until it is restored to its former functionality. Accordingly, Cyclopharm has concluded that as a result of this uncertainty, the fair value of the Cyclotron remains at nil as at 31 December 2016.

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

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

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

Non-Recurring fair value measurements:

	Level 2 2016 $	Level 2 2015 $
Buildings	-	-
Plant and equipment	-	-
Leasehold improvements	-	-
Total non-financial assets recognised at fair value	-	-

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2016	**2015**
	$	**$**
Associated companies	-	-

Name	**Principal Activities**	**Principal place of business**	**Measurement Method**	**Ownership Interest**	
				2016	**2015**
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.

		Consolidated	
		2016	**2015**
Extract from the associate's statement of financial position:	**Notes**	**$**	**$**
Current Assets		1,877,768	1,890,859
Non-current Assets		8,237,485	9,710,471
Current Liabilities		(11,399,729)	(10,645,215)
Non-current Liabilities		(8,013,364)	(8,354,138)
Net assets		(9,297,840)	(7,398,023)
Share of associate's net assets	(a)	(1,859,568)	(1,479,605)

		Consolidated	
		2016	**2015**
Extract from the associate's statement of comprehensive income:	**Notes**	**$**	**$**
Revenue		11,718,626	10,866,159
Net Loss	(a)	(2,461,137)	(2,196,830)

(a) The share of the associate's loss not recognised during the year was $492,227 (2015: loss of $439,366) and the cumulative share of the associate's loss not recognised as at 31 December 2016 was $2,799,600 (31 December 2015: $2,419,637). The comparative amounts have been revised after the receipt of the audited financial report of the associate subsequent to the last financial report of the Group.

The share of loss of associate not recognised as at 31 December 2016 is extracted from the unaudited financial report of the associate, and it may be revised when that financial report has been audited.

The fair value of the Group's investment in Macquarie Medical Imaging Pty Ltd was $nil (2015: $nil).

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

Contingent liabilities

(i) Macquarie Medical Imaging Pty Ltd's ("MMI") financing facility provided by the Commonwealth Bank of Australia ("CBA") was refinanced in June 2015 by De Lage Landen Pty Limited ("DLL"), part of the Rabobank Group. DLL does not require corporate guarantees from MMI's shareholders. Previously, Cyclopharm Limited and CycloPet Pty Ltd had jointly guaranteed with other investors to provide security for the whole MMI financing facility provided by the CBA.

(ii) Pursuant to a Shareholders' Agreement, CycloPet Pty Limited (a wholly owned subsidiary of Cyclopharm Limited) has undertaken to provide 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 cost to CycloPet had the put option been issued and exercised at balance date is estimated not to exceed $1,986,650 (2015: $1,614,724). If the put option was issued and 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 $	Target $	Ultralute $	Total $
Balance at					
1 January 2016	71,558	175,030	27,419	1,037,712	1,311,719
Additions	7,317	73,840	-	344,637	425,794
Amortisation	(20,127)	-	-	-	(20,127)
Balance at					
31 December 2016	**58,748**	**248,870**	**27,419**	**1,382,349**	**1,717,386**
31 December 2016					
Non-Current	58,748	248,870	27,419	1,382,349	1,717,386
Total	**58,748**	**248,870**	**27,419**	**1,382,349**	**1,717,386**
31 December 2015					
Non-Current	71,558	175,030	27,419	1,037,712	1,311,719
Total	**71,558**	**175,030**	**27,419**	**1,037,712**	**1,311,719**

The recoverable amount of Technegas Development and Ultralute 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 18.78% in 2016 (2015: 7.44%).

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

13. TRADE AND OTHER PAYABLES

		Consolidated	
		2016	2015
	Notes	$	$
Trade payables, third parties	(i)	1,796,889	1,049,315
Other payables and accruals	(ii)	1,007,743	705,068
Total trade and other payables		**2,804,632**	**1,754,383**

Terms and conditions

Terms and conditions relating to the above financial instruments:

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

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

(iii) Related party details are set out in the Note 20 Related Party Disclosures.

14. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	2016	2015
	$	$
Current		
Bank loan - secured (b)	-	45,877
Interest bearing loans and borrowings (current)	**-**	**45,877**
Non-current		
Bank loan - secured (b)	-	151,499
Interest bearing loans and borrowings (non-current)	**-**	**151,499**
Total interest bearing loans and borrowings	**-**	**197,376**

(a) Financing facilities available:

		Consolidated	
		2016	2015
	Notes	$	$
Total facilities available:			
- secured bank loans, third party		-	197,376
		-	**197,376**
Facilities used at reporting date:			
- secured bank loans, third party	14	-	197,376
		-	**197,376**
Total facilities		-	197,376
Facilities used at reporting date:		-	(197,376)
Facilities unused at reporting date:		**-**	**-**

(b) Secured Bank Loans

Cyclopharm's wholly owned subsidiary, Cyclomedica Ireland Limited, had a flexible rate loan provided by the Allied Irish Banks, plc. with a repayment period of 7 years. The facility was secured by a registered Fixed and Floating Charge and First Registered Debenture over Cyclomedica Ireland Limited and a guarantee from Cyclomedica Europe Limited. The charge and debenture have been discharged as the loan was fully repaid on 7 March 2016.

15. PROVISIONS

Consolidated	Consolidated Employee Entitlements $
Balance at 1 January 2016	**1,003,673**
Arising during the year	239,640
Utilised	(266,561)
Balance at 31 December 2016	**976,752**
31 December 2016	
Current	923,242
Non-Current	53,510
Total	**976,752**
Number of employees	
Number of employees at year end	33
31 December 2015	
Current	945,129
Non-Current	58,544
Total	**1,003,673**
Number of employees	
Number of employees at year end	32

16. DEFERRED INCOME LIABILITIES

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

17. CONTRIBUTED EQUITY

		Consolidated			
	Notes	2016 Number	2015 Number	2016 $	2015 $
Issued and paid up capital					
Ordinary shares	(a)	59,726,733	59,588,733	20,296,125	20,296,125
Other contributed equity	(b)	-	-	(5,333,158)	(5,333,158)
Total issued and paid up capital		**59,726,733**	**59,588,733**	**14,962,967**	**14,962,967**
Ordinary shares					
(a) Issued and paid up capital					
Balance at the beginning of the period		59,588,733	57,385,143	20,296,125	20,296,125
Issue of Long Term Incentive Plan shares	(i)	138,000	2,203,590	-	-
Balance at end of period		**59,726,733**	**59,588,733**	**20,296,125**	**20,296,125**
(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) 138,000 Long Term Incentive Plan shares were issued on 25 July 2016 and 2,203,590 Long Term Incentive Plan shares were issued on 13 July 2015 as set out in Note 23.

17. CONTRIBUTED EQUITY (continued)

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

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

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%. There are no banking covenants as the bank loan was fully repaid on 7 March 2016.

		Consolidated	
		2016	2015
	Notes	$	$
Total interest bearing loans and borrowings		-	197,376
Less cash and cash equivalents	7	(4,590,760)	(6,444,995)
Net cash		**(4,590,760)**	**(6,247,619)**
Total equity		12,461,803	13,102,243
Gearing ratio		0.0%	0.0%

Dividends

During the current financial year, the Directors declared a partially franked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2016 and a fully franked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2015. During the 2015 financial year, the Directors declared a fully franked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2014.

The final unfranked dividend of 0.5 cent per share has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2016.

	Consolidated			
	2016	2015	2016	2015
	Cents per share	Cents per share	$	$
Fully paid ordinary shares				
Final dividend in respect of the previous financial year				
- Fully franked at 30% corporate tax rate	0.50	0.50	278,309	278,309
Interim dividend in respect of the current financial year				
- No franking credits attached	0.27	-	150,287	-
- Partially franked at 30% corporate tax rate	0.23	-	128,022	-
- Fully franked at 30% corporate tax rate	-	0.50	-	278,309
	1.00	**1.00**	**556,618**	**556,618**

18. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

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

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

(a) Interest rate risk

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

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

At 31 December 2016, 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	
	2016	2015
	$	$
Judgements of reasonably possible movements:		
Profit before income tax		
+1.0% (100 basis points)	45,908	62,476
-0.5% (50 basis points)	(22,954)	(31,238)

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

18. 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 2016		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	1.03%	-	4,590,760	-	-	4,590,760
Trade and other receivables	8	n/a	3,738,193	-	-	-	3,738,193
Total financial assets			**3,738,193**	**4,590,760**	**-**	**-**	**8,328,953**
FINANCIAL LIABILITIES							
Trade payables, third parties	13	n/a	2,804,632	-	-	-	2,804,632
Secured bank loans, third party	14	n/a	-	-	-	-	-
Total financial liabilities			**2,804,632**	**-**	**-**	**-**	**2,804,632**
Net exposure			**933,561**	**4,590,760**	**-**	**-**	**5,524,321**

Consolidated Year ended 31 December 2015		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	1.46%	-	6,444,995	-	-	6,444,995
Trade and other receivables	8	n/a	4,420,505	-	-	-	4,420,505
Total financial assets			**4,420,505**	**6,444,995**	**-**	**-**	**10,865,500**
FINANCIAL LIABILITIES							
Trade payables, third parties	13	n/a	1,754,383	-	-	-	1,754,383
Secured bank loans, third party	14	7.85%	-	-	45,877	151,499	197,376
Total financial liabilities			**1,754,383**	**-**	**45,877**	**151,499**	**1,951,759**
Net exposure			**2,666,122**	**6,444,995**	**(45,877)**	**(151,499)**	**8,913,741**

18. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(b) Credit risk

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

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

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

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

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The Group's policy is to monitor the maturity of borrowings at all times. As at 31 December 2016, there are no bank loans as the loan was fully repaid on 7 March 2016. At 31 December 2015, 23% of the Group's debt was due to mature in less than one year.

Refer to the table above with the heading 18 (a) Interest Rate Risk, which reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as investments in working capital e.g. inventories and trade receivables and investment in property, plant and equipment. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Board and management monitor the Group's expected settlement of financial assets and liabilities on an ongoing basis.

The Group monitors the rolling forecast of liquidity reserves on the basis of expected cash flow. At balance date the Group has no unused credit facilities (2015: $nil).

Consolidated Year ended 31 December 2016	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	2,804,632	-	-	-	2,804,632
Secured bank loans, third party	14	-	-	-	-	-
		2,804,632	-	-	-	2,804,632
31 December 2015						
Trade payables, third parties	13	1,754,383	-	-	-	1,754,383
Secured bank loans, third party	14	22,939	22,938	151,499	-	197,376
		1,777,322	22,938	151,499	-	1,951,759

18. 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 71% (2015: 76%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 63% (2015: 76%) of costs are denominated in the unit's functional currency.

At 31 December 2016, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated	
	2016	2015
	$	$
United States dollars		
Amounts payable	213,972	114,342
Amounts receivable	9,816	176,752
Euros		
Amounts payable	203,549	157,615
Amounts receivable	1,740,813	2,217,023
Canadian dollars		
Amounts payable	50,919	(137)
Amounts receivable	315,224	481,584
Japanese Yen		
Amounts payable	14,778	19,387
Amounts receivable	3,463	3,635
Chinese Renminbi		
Amounts payable	80,584	106,596
Amounts receivable	-	-
Net exposure	**(1,505,514)**	**(2,481,191)**

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.

18. 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 most 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 those respective currencies with all other variables held constant as at reporting date for unhedged foreign exposure risk. A positive number indicates an increase in net profit/equity.

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 2016		
Net (loss) / profit	(139,751)	153,726
Equity (decrease) / increase	(139,751)	153,726
31 December 2015		
Net (loss) / profit	(187,219)	205,941
Equity (decrease) / increase	(187,219)	205,941
CAD		
31 December 2016		
Net (loss) / profit	(24,028)	26,431
Equity (decrease) / increase	(24,028)	26,431
31 December 2015		
Net (loss) / profit	(43,793)	48,172
Equity (decrease) / increase	(43,793)	48,172
USD		
31 December 2016		
Net profit / (loss)	18,560	(20,416)
Equity increase / (decrease)	18,560	(20,416)
31 December 2015		
Net (loss) / profit	(5,674)	6,241
Equity (decrease) / increase	(5,674)	6,241

19. COMMITMENTS & CONTINGENCIES

(a) Operating lease commitments

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

	Consolidated	
	2016	**2015**
	$	**$**
Operating Lease Commitments		
Minimum lease payments		
Due not later than one year	589,966	321,469
Due later than 1 year & not later than 5 years	1,597,259	956,257
Total operating lease commitments	**2,187,225**	**1,277,726**
Operating lease expenses recognised as an expense during the year	649,512	194,749

- Cyclomedica Australia Pty Ltd.'s ("CMAPL") has entered into a commercial lease on office and manufacturing space at Kingsgrove, New South Wales, for 5 years with renewal options included in the contract. The landlord has agreed in principle to extend the lease from 5 years to 10 years. The proposed lease term extension is not reflected in the lease commitments disclosed above.
- 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

The Group has no finance lease commitments as at 31 December 2016.

19. COMMITMENTS & CONTINGENCIES (continued)

(c) Other commitments

		Consolidated	
		2016	2015
	Notes	$	$
The company has the following other commitments:			
Not later than one year		-	45,877
Due later than 1 year & not later than 5 years		-	151,499
Total	(i)	**-**	**197,376**

(i) Cyclopharm's wholly owned subsidiary, Cyclomedica Ireland Limited, had a flexible rate loan provided by the Allied Irish Banks, plc. with a repayment period of 7 years. The facility was secured by a registered Fixed and Floating Charge and First Registered Debenture over Cyclomedica Ireland Limited and a guarantee from Cyclomedica Europe Limited. The charge and debenture have been discharged as the loan was fully repaid on 7 March 2016.

(d) Capital commitments

There were no capital commitments as at the date of this report (2015: $nil).

(e) Contingent liabilities

(i) Macquarie Medical Imaging Pty Ltd's ("MMI") financing facility provided by the Commonwealth Bank of Australia ("CBA") was refinanced in June 2015 by De Lage Landen Pty Limited ("DLL"), part of the Rabobank Group. DLL does not require corporate guarantees from MMI's shareholders. Previously, Cyclopharm Limited and CycloPet Pty Ltd had jointly guaranteed with other investors to provide security for the whole MMI financing facility provided by the CBA.

(ii) Pursuant to a Shareholders' Agreement, CycloPet Pty Limited (a wholly owned subsidiary of Cyclopharm Limited) has undertaken to provide 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 cost to CycloPet had the put option been issued and exercised at balance date is estimated not to exceed $1,986,650 (2015: $1,614,724). If the put option was issued and exercised, control of MMI would be transferred to the Group and MMI's financial statements would be consolidated from that date.

20. 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 $	Purchases from related parties $	Repayment from / (loan to) related parties $	Amounts owed by related parties $	Provision for doubtful debts on Amounts owed by related parties $
Pilmora Pty Ltd	*2016*	-	11,888	-	-	-
	2015	-	31,827	-	-	-
Macquarie Medical Imaging	*2016*	-	-	-	230,782	230,782
	2015	-	-	-	230,782	230,782

Ultimate parent entity

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

Terms and conditions of transactions with related parties

- During the year, payments of $11,888 (2015: $31,827) were made to Pilmora Pty Ltd (an entity controlled by Director, Mr. Henry Townsing). All payments related to Mr. Townsing's role as a non-executive director.
- Cyclopet Pty Ltd, a wholly owned subsidiary of Cyclopharm has a 20% interest in Macquarie Medical Imaging. Prior to ceasing commercial operations at the end of April 2014, Cyclopet manufactured products that were sold to Macquarie Medical Imaging. As the trade debtor balance of $230,782 (2015: $230,782) is not expected to be repaid in the short term, it is included as an interest in the associate and a share of the associate's losses has been recognised under the equity method in the 2014 financial year. Refer to Note 11 for details of the investment in the associate.

20. RELATED PARTY DISCLOSURES (continued)

Controlled Entities

Name	Note	Country of Incorporation	Percentage of equity interest held 2016	2015
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 Nexia Sydney Audit Pty Ltd, Australia.
3. Audited by Moore Stephens, Republic of Ireland.
4. Audited by Schwartz Levitsky & Feldman LLP, Toronto, Canada.
5. Audited by Bilzanzia GmbH Wirtschaftsprufungsgesellschaft, Germany

21. EVENTS AFTER THE BALANCE DATE

FINAL DIVIDEND

On 22 February 2017, the Directors declared a final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2016, payable on 10 April 2017.

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

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22. AUDITORS' REMUNERATION

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

	Consolidated	
	2016	**2015**
	$	**$**
Amounts received or due and receivable by Nexia Sydney Audit Pty Ltd and associated entities for:		
Audit and review of the financial statements	89,376	119,298
Other services:		
- tax compliance	27,802	15,000
- share registry	23,760	20,662
	140,938	**154,960**
Amounts received or due and receivable by auditors other than Nexia Sydney Audit Pty Ltd for:		
Audit of the financial statements	100,120	86,779
Other services	30,306	12,429
	130,426	**99,208**

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	
	2016	**2015**
	$	**$**
Expense arising from equity-settled share-based payment transactions (note 4)	107,777	130,586

The share based payment reserve at 31 December 2016 was $603,622 (2015: $495,845).

23. SHARE BASED PAYMENT PLANS (continued)

(b) Type of share based payment plans

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

Shares

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

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

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

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

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

LTIP Shares issued

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

Implied Options

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

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

23. SHARE BASED PAYMENT PLANS (continued)

(c) Summary of Implied Options granted

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

	Consolidated 2016 Number	Consolidated 2015 Number	Weighted Average Exercise Price 2016 $	Weighted Average Exercise Price 2015 $
Balance at the beginning of the year	2,203,590	1,723,456	0.90	0.24
Granted during the year	138,000	2,203,590	1.20	0.90
Exercised during the year	-	(1,723,456)	-	0.24
Balance at the end of the year	**2,341,590**	**2,203,590**	**0.92**	**0.90**

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

The exercise price for Implied Options at the end of the year was $0.92 (2015: $0.90). The weighted average remaining contractual life for the Implied Options outstanding as at 31 December 2016 is 0.59 years (2015: 1.54 years). The weighted average fair value of Implied Options granted during the year was $0.097 (2015: $0.082).

(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	**$1.20**	**$0.90**
Number of recipients	15	12
Number of Implied Options	138,000	2,203,590
Grant Date	25/07/2016	13/07/2015
Dividend yield	-	-
Expected annual volatility	41%	43%
Risk-free interest rate	8.00%	9.00%
Expected life of Implied Option (years)	2 years	2 years
Fair value per Implied Option	$0.330	$0.082
Share price at grant date	$1.17	$0.57
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

	2016	2015
	$	$
(i) **Financial Position**		
Assets		
Current Assets	3,069,205	4,997,377
Non-current Assets	8,751,989	7,667,033
Total Assets	**11,821,194**	**12,664,410**
Liabilities		
Current Liabilities	139,146	-
Non-current Liabilities	6,933,130	6,092,680
Total Liabilities	**7,072,276**	**6,092,680**
Net assets	**4,748,918**	**6,571,730**
Equity		
Contributed equity	15,163,497	15,163,497
Employee equity benefits reserve	603,622	495,845
Accumulated Losses	(11,018,201)	(9,087,612)
Total Equity	**4,748,918**	**6,571,730**
(ii) **Financial Performance**		
(Loss) / Profit for the year	(1,373,971)	1,696,162
Other comprehensive income	-	-
Total (Loss) / Profit for the year	**(1,373,971)**	**1,696,162**

Contingent liabilities

Macquarie Medical Imaging Pty Ltd's ("MMI") financing facility provided by the Commonwealth Bank of Australia ("CBA") was refinanced in June 2015 by De Lage Landen Pty Limited ("DLL"), part of the Rabobank Group. DLL does not require corporate guarantees from MMI's shareholders. Previously, Cyclopharm Limited and CycloPet Pty Ltd had jointly guaranteed with other investors to provide security for the whole MMI financing facility provided by the CBA.

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