Cyclopharm Limited
Appendix 4E

1. Company details

Name of entity

CYCLOPHARM LIMITED		
ABN or equivalent company reference	**Financial year ended ('current period')**	**Financial year ended ('previous period')**
74 116 931 250	31 December 2019	31 December 2018

2. Results for announcement to the market

2.1 Revenues from ordinary activities	up	5.0%	to	14,078,801
2.2 Loss from ordinary activities after tax attributable to members	up	8114.2%	to	(2,912,440)
2.3 Net Loss for the period attributable to members	up	8114.2%	to	(2,912,440)

2.4 Dividends	Amount per security	Franked amount per security
Final dividend proposed	0.5 cent	0.0 cent
Interim dividend - 2019	0.5 cent	0.0 cent

The Directors have resolved to pay a final unfranked dividend in respect of the financial year ended 31 December 2019 of 0.5 cent per share payable on 7 April 2020. An unfranked interim dividend in respect of the financial year ended 31 December 2019 was paid on 16 September 2019.

Ex-dividend date	Monday, 30 March 2020
Record date for determining entitlements to the final dividend	Tuesday, 31 March 2020
Payment date	Tuesday, 7 April 2020

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

Key features of Cyclopharm's financial results for the 2019 year included:

- Record Technegas Sales Revenue of $14.08 million up 5.0% on the prior year
- Underlying Operating Profit Before Tax of $0.89 m in the Technegas division
- $3.84 million expended on USFDA approval process of Technegas - entering final stage of the approval process to start sales of Technegas in the US market in 2020
- Approved R&D tax incentive resulting in Other Income of $2.93 million
- Strong net cash position at year-end of $12.66 million following successful completion of an institutional share placement in December 2019
- Cyclopharm is financed for the next phase of growth
- Good progress in developing new applications providing large, long term growth opportunities for Technegas - beyond PE
- Final dividend maintained at 0.5 cents per share giving full year unfranked dividends of 1.0 cent per share

Cyclopharm Limited
Appendix 4E

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

YEAR ENDED 31 DECEMBER	2019 $'000	2018 $'000	INC/(DEC) $'000	CHANGE %
SALES REVENUE	**14,079**	**13,404**	**675**	**5%**
GROSS MARGIN	**11,619**	**10,855**	**764**	**7%**
GROSS MARGIN % SALES	82.5%	81.0%	1.5%	
UNDERLYING PROFIT BEFORE TAX	**887**	**1,406**	**(519)**	**(37%)**
ADD BACK NON-OPERATING ACTIVITIES :				
INCOME				
CYCLOPET DIVISION	746*	(335)	1,081	323%
R&D TAX INCENTIVE GRANT	2,934	2,122	812	38%
REVERSAL OF CONTINGENT CONSIDERATION ON ACQUISITION OF SUBSIDIARY	-	314	(314)	(100%)
UNREALISED GAIN ON FORWARD EXCHANGE CONTRACT	-	275	(275)	(100%)
RECOVERY FROM GERMAN LITIGATION	339	-	339	100%
EXPENSES				
FDA EXPENSES	(3,842)	(2,965)	(877)	(30%)
PILOT CLINICAL TRIALS	(351)	(251)	(100)	(40%)
RETIREMENT/SEVERANCE PAYMENTS	(322)	-	(322)	(100%)
QUALITY AND REGULATORY DEPARTMENT EXPANSION	(238)	-	(238)	(100%)
CYC QUALITY SYSTEM INVESTMENT	(827)	-	(827)	(100%)
LITIGATION EXPENSES	(1,064)	(410)	(654)	(160%)
COST OF TERMINATING PUT OPTION	(309)	-	(309)	(100%)
COST OF LTIP PROGRAM	(378)	(38)	(340)	(895%)
REPORTED (LOSS) / PBT	**(2,425)**	**118**	**(2,543)**	**(2,155%)**

*INCLUDES ONE-OFF RENT ABATEMENT OF $1,043K

Further information is included in Attachment 1.

3. Statement of financial performance

Refer Attachment 1.

4. Statement of financial position

Refer Attachment 1.

5. Statement of cash flows

Refer Attachment 1.

6. Statement of retained earnings

Refer Attachment 1.

7. Dividends

Refer paragraph 2.4

8. Dividend reinvestment plans

The Group does not have a dividend reinvestment plan.

9. Net tangible assets

Refer Attachment 1.

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

Control over entities

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

Loss of control over entities

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

11. Details of associates and joint venture entities

Refer Attachment 1.

12. Significant Information

Refer Attachment 1.

13. Foreign Entities

Refer Attachment 1.

14. Commentary on results for the period

Refer Attachment 1.

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

The accounts are in the process of being audited.

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

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

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

Not applicable

Contact details:

Mr James McBrayer
Managing Director and Company Secretary
Cyclopharm Limited

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Email: jmcbrayer@cyclopharm.com.au

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2019

cyclopharm

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

Managing Director's Report

MANAGING DIRECTOR'S REVIEW

Key features of Cyclopharm's financial results for the 2019 year include:

- **Record Technegas® Sales Revenue of $14.08 million up 5.0% on the prior year**
- **Underlying Operating Profit Before Tax [1] of $0.89 million in the Technegas® division**
- **$3.84 million spent on USFDA approval process of Technegas® - entering final stage of the approval process to start sales of Technegas® in the United States market in 2020.**
- **Approved R&D tax incentive resulting in Other Income of $2.93 million**
- **Strong net cash position at year-end of $12.66 million following successful completion of an institutional share placement in December 2019.**
- **Cyclopharm is financed for the next phase of growth**
- **Good progress in developing new clinical applications providing large, long term growth opportunities for Technegas® – Beyond PE**
- **Final dividend maintained at 0.5 cents per share (cps), bringing total unfranked dividends for FY19 to 1.0 cps.**

Dear Shareholders,

Cyclopharm delivered another solid underlying financial performance in 2019 and continues to make progress in line with our growth objectives.

Cyclopharm has four major strategies for growth:

1. Grow Technegas® sales by attaining approval to distribute Technegas® in the USA in 2020;
2. Expand the use of Technegas® beyond the traditional diagnosis of Pulmonary Embolism (PE) into significantly larger applications such as Chronic Obstructive Pulmonary Disease (COPD), Asthma, Lung Cancer, Lung Volume Reduction and Pulmonary Hypertension for both diagnosis and patient management;
3. Identify, develop and commercialise complementary innovative technology such as Ultralute™; and
4. Leverage our core global regulatory strengths, fiscal discipline, strong balance sheet and well-developed expertise in nuclear medicine and pulmonary healthcare by seeking out complementary technologies and businesses.

Against these objectives, during 2019, Cyclopharm expanded sales of our core Technegas® products in existing markets, delivered a record Revenue of $14.08 million and entered the final stage of the approval process to start sales of Technegas® in the USA market in 2020.

The company invested in further R&D and support of clinicians to expand the use of Technegas® in new diagnostic applications 'Beyond PE'; continued to work towards the registration of Ultralute™ as a medical device in Europe and also Australia; and leveraged our infrastructure and capabilities to expand our distribution partnerships which now include Jubilant Draximage based in Canada; ROTOP Pharmaka based in Germany and Tema Sinergie based in Italy.

[1] Underlying Results represent results from the Technegas® Division excluding R&D tax incentive, reversal of contingent consideration, FDA Expenses, Pilot Clinical Trial expenses and net provisions for Germany.

Managing Director's Report
Continued

FINANCIAL PERFORMANCE

Cyclopharm's revenue increased to $14.08 million during 2019, underpinned by initial sales of Technegas® Plus generators in South America complemented by a significant uplift in generator sales in Canada. In total, revenue from Generator sales increased 21% over the year to $2.16 million. PAS revenue remained consistent at $10.61 million. Service revenue in markets where we distribute our products directly, increased by 31% to $1.30 million. Gross margins increased slightly to 82%.

Cyclopharm recorded an underlying profit before tax of approximately $0.89 million, a decrease of $0.52 million on the prior year. This performance primarily reflects the ongoing investment required for Cyclopharm to meet global regulatory requirements to include the USFDA.

Expenditure on the Technegas® USFDA regulatory approval process in 2019 was $3.84 million, compared to $2.96 million in the prior year. US$7.60 million has been spent on the current USFDA approval process project up to 31 December 2019.

In 2020, the Company expects to spend approximately US$1.20 million on developing its New Drug Application (NDA) required to gain regulatory approval to sell Technegas® in the US market. The total anticipated expenditure to gain USFDA approval of Technegas® is expected to amount to US$8.80 million, US$1.30 million in addition to the previous estimation of US$7.5 million.

In December 2019, Cyclopharm announced it had successfully raised $9.775 million via an institutional placement of 8.5 million shares with Karst Peak Capital Limited (Karst Peak). The placement was made at an 11.7% premium to the Company's share price. Following the placement, Karst Peak holds a substantial position in Cyclopharm's issued share capital.

The funds raised under the offer will be used to support the company's planned entry into the US market in 2020/21, and other strategic priorities, including expanding the use of Technegas® beyond the pulmonary embolism market; ongoing research and development activities; and product and systems enhancement.

A portion of Cyclopharm's costs, associated with the Group's overseas R&D activity, have been approved for inclusion in an R&D Tax Incentive program administered by AusIndustry. This has allowed the company to report Other Income of $2,934,187 for the year compared to $2,122,351 reported in 2018.

Net loss after tax for the year, which includes USFDA and Legal expenditure, was $2,912,440 compared to net loss after tax of $35,456 in the prior year, representing a Basic Loss per Share of 4.28 cents. A solid Underlying EBITDA supported the Board's decision to maintain a full year final dividend of 0.5 cent per share, bringing total dividends for 2019 to 1.0 cent per share.

Managing Director's Report
Continued

CYCLOPHARM'S UNDERLYING RESULTS[2].

YEAR ENDED 31 DECEMBER	2019 $'000	2018 $'000	INC/(DEC) $'000	CHANGE %
SALES REVENUE	**14,079**	**13,404**	**675**	**5%**
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COST OF LTIP PROGRAM	(378)	(38)	(340)	(895%)
REPORTED (LOSS) / PBT	**(2,425)**	**118**	**(2,543)**	**(2,155%)**

*INCLUDES ONE-OFF RENT ABATEMENT OF $1,043K

OPERATIONS AND STRATEGY

During 2019, Cyclopharm's core operations continued to generate healthy positive earnings and cashflows. Significant progress was also made in implementing our strategy to commercialise our intellectual property in new markets whilst developing new applications in all markets to improve respiratory patient healthcare outcomes and enhance our growth strategy.

Operating highlights for the year included:

- Progressed to near final New Drug Application submission status in support of USFDA approval to market and distribute Technegas® in the United States
- Initiation of further pilot clinical trials targeting new applications for Technegas® in chronic respiratory disease states
- Progressed the certification process of Cyclopharm's patented Ultralute™ technology in the medical device category in Europe and Australia
- Leveraged our existing capabilities and infrastructure to sign a European distribution agreement to sell Jubilant DraxImage Inc. RUBY-FILL® generators and accessories.
- Recognition by regulatory bodies in both Canada and Europe of the market leading clinical efficacy of Technegas® in diagnosing Pulmonary Embolism.

[2] Underlying Results represent results from the Technegas® Division excluding R&D tax incentive, reversal of contingent consideration, FDA Expenses, Pilot Clinical Trial expenses and net provisions for Germany.

Managing Director's Report
Continued

EXPAND TECHNEGAS® REVENUES

Revenue from the core Technegas® division, of $14.08 million, rose 5.0% over the prior year.

Sales of generators and other service revenue represented 25% of revenue, up 25% on the prior year. The increase was primarily a result of larger sales volumes of Generators in South America and Canada, complemented by an increase in service and other revenue to $1.30 million, compared to $0.99 million in 2018. Sales of Patient Administration Sets (PAS) represented 75% of the total revenue, consistent with the prior year.

TECHNEGAS® SALES COMPOSITION ($MILLIONS)	2016	2017	2018	2019	CHANGE FY18 TO 19
PAS REVENUE	10.78	10.91	10.62	10.61	0.1%
GENERATOR AND SERVICE REVENUE	3.60	2.28	2.78	3.47	25%
TOTAL	**14.38**	**13.19**	**13.40**	**14.08**	**5.0%**

Each box of PAS is equal to 50 patient doses of Technegas®. Cyclopharm sold 3,642 PAS boxes (182,100 patients) in 2019 down 6.4% from 3,893 in 2018. PAS Revenue remained consistent despite the decline in volume due to a favourable sales mix toward more profitable regions. The Group's sales of PAS units was impacted by stocks being exhausted as part of the transition of the distribution arrangement in the United Kingdom from a third party distributor to in house direct distribution model, while muted sales volumes were recorded in Germany following continued IP litigation disruption.

Canada returned as the largest country market by volume with 908 PAS boxes sold. In Australia sales were primarily held back by a series of disruptions to the supply of nuclear medicine isotopes from the Australian Nuclear Science and Technology Organisation (ANSTO). ANSTO's supply disruptions were resolved in November 2019, and the company expects sales of PAS in Australia in 2020 will return to historical levels.

The Group sold 58 Technegas® generators, up from 50 in the prior year with improved average prices in the European market reflecting the improved distribution margins following the acquisition of our Scandinavian distributor Medicall Analys AB ("MA") in May 2018. With this acquisition and the establishment of our own operations in the United Kingdom in early 2020, Cyclopharm now has direct access in Europe to supply our products to Sweden, Norway, Finland, Belgium, Luxembourg, Netherlands, Germany, Ireland, Northern Ireland, England, Scotland and Wales.

Regional review

Canada reclaimed its status as largest country market for Technegas® by posting a record sales result of $2.55 million, up 19% on 2018. This result included the sale of 908 PAS boxes, 59 more than the prior year. In 2019 Canada contributed 18% of global Technegas® revenue.

Revenue in Latin America was $335,843 which included 8 Generators sold (compared to none in 2018) and an 8% increase in PAS unit sales, from 108 to 117 boxes.

Europe also posted a record revenue result of $8.74 million, $0.40 million higher than 2018. In total Europe contributes approximately 62% of global revenue. The record revenue result was produced by 34 Generators sold, 10% higher than 2018 and despite PAS sales volumes of 1,803

being down 10% on 2018. Lower volumes were offset by improved average prices, with Cyclopharm capturing the distribution margin, following the acquisition of the distributor for our Scandinavian market in May 2018.

Following the success of the change in the company's distribution arrangements in European markets, in 2019 the company commenced the process of transitioning its distribution arrangements in the UK from a third-party distributor model to direct distribution. As part of this transition, stocks held by that distributor were run down having a short-term impact on UK sales. Lower sales were experienced in Germany whilst legal action, initiated by Cyclopharm against its former employee in Germany, continues to run its course. Cyclopharm received a successful judgment in its first civil case against its former distributer and was awarded payment of this full claim of $338,908 in early 2019.

Revenue in the Asia-Pacific region declined by 12% in 2019 to $2.35 million. In Australia, revenue was 12% lower, with a 16% decrease in PAS boxes sold compared to 2018. Disruption to the manufacture and supply of the Molybdenum-99 isotope to Australian hospitals, following a fault at ANSTO's manufacturing facility, had a consequential effect of decreasing demand for PAS during the period of ANSTO's disrupted supply. ANSTO's supply disruptions were resolved in November 2019, and the company expects sales of PAS in Australia in 2020 will return to historical levels. Generator sales volume decreased to 4 units, 2 less than in 2018. Sales revenue to Asia was down 13% in 2019 representing 3 generators and 195 PAS boxes compared to 5 Generators and 219 PAS boxes in 2018.

Revenue from South Africa was down 22% to $102,782. No Generators were sold in 2019 compared to 3 units sold in 2018 while PAS sales increased by 11 units to 56 units.

TECHNEGAS® SALES BY REGION ($MILLIONS)	2016	2017	2018	2019	CHANGE FY18 TO 19
North America - Canada	2.26	2.20	2.14	2.55	19%
Europe	7.94	8.34	8.35	8.74	5%
Asia Pacific	4.00	2.37	2.66	2.35	(12%)
South Africa & Latin America	0.19	0.28	0.25	0.44	76%
Total	**14.38**	**13.19**	**13.40**	**14.08**	**5.0%**

ACCESS USA & OTHER NEW MARKETS

The most significant business opportunity for Cyclopharm is gaining USFDA approval to sell Technegas® in the US market.

The process for approving Technegas® ™ sales in the US is in its final stages. The Company through its Clinical Research Organisation (CRO) is completing the documentation required for the submission for a 505(b)(2) New Drug Application (NDA) for the United States Food and Drug Administration (USFDA). Given the progress to date, the Company remains on track to submit its completed application to the USFDA in the first calendar quarter of 2020.

Recruitment will continue for the Company's clinical trial program CYC-009. As at 21 February 2020, 200 of the target 240 patients have been completed. Whilst the CYC-009 efficacyl outcomes will not be assessed until the last patient is recruited, safety data from 139 patients is included in the 505(b)(2) application.

Managing Director's Report
Continued

As part of its New Drug Application to the USFDA, the company is submitting a priority review application, which may, if granted, accelerate the typical NDA process post the 60 day initial assessment from a 10 month to 6 month approval evaluation.

Along with the priority review application, Cyclopharm has also submitted a fee waiver request. The USFDA encourages small business to develop new products for the USA market by providing a mechanism to waive or reduce the USD $ $2.9 million cost for submitting a NDA application. To qualify for the small business fee waiver program the applicant company must demonstrate that is has fewer than 500 employees, has limited resources for user fee purposes of less than USD $20 million and that it is submitting its first drug application. In 2008 Cyclopharm received written confirmation from the USFDA that it qualified for their small business fee waiver program. Given that Cyclopharm continues to meet the small business fee waiver criteria, the Company has updated its documentation to the USFDA for processing along with further supporting information related to innovation and public health. Whilst we understand that we will need to pay the fee upon lodgement, we expect that the fee will be refunded.

In parallel, Cyclopharm is progressing the activities that will support a rapid market entry of Technegas® in the United States with commercial launch, depending upon USFDA approval, expected in late 2020 or early 2021. These steps included completing company business registration in the United States, appointing new senior management in areas of quality, sales and technical service and a focusing on enhancing our inventory management and product distribution capabilities.

The existing market for nuclear medicine ventilation imaging in the USA is estimated to be approximately USD$90 million annually, representing approximately 600,000 individual procedures. Based on Cyclopharm's experience in the Canadian market, the directors are confident that Technegas® can achieve a 50% share of the USA market over 2 to 3 years, post US market entry, with an 80% share representing around 480,000 procedures per annum achievable over a 5 to 7-year period

Consistent with its experience in other markets, Cyclopharm is targeting an 80% share of the existing US nuclear medicine ventilation imaging market, representing around 480,000 individual procedures per annum. Based on the Group's experience of the rates of adoption of Technegas® following regulatory approval in Canada, Cyclopharm believes that a 50% total market conversion is achievable over 2 to 3 years with the balance of the target market converted within 5 to 7 years.

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

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

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

In addition to the US market, Cyclopharm continues to pursue regulatory approvals to commence sales of Technegas® in Russia and additional European markets.

BEYOND PE

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

Cyclopharm's strategy to expand Beyond PE is being delivered by targeting new applications through clinical studies; educating clinicians; and engaging directly with respiratory medicine referrers.

The University of Newcastle, Hunter Regional Medical Institute (HRMI) and John Hunter Hospital are conducting a study into the use of Technegas® ™ in patients with severe small airways disease.

The 100 patient study has now reached full recruitment. As part of the study, a 39-patient subset of the 100 underwent tests using Technegas® ™ to determine response to therapy.

The overall study has been designed 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.

Initial publications for the HRMI study are expected early 2020.

In addition to the Newcastle study, Cyclopharm is active globally in supporting four other clinical initiatives targeting the use of Technegas® beyond PE. The implication in advancing these initiatives could expand the use of Technegas® by improving the diagnosis and management of patients with COPD and other small airways diseases. Cyclopharm estimates the global COPD market is 30 times the size of the PE market and over 500 million patients suffering with COPD and Asthma could benefit from the use of Technegas® in diagnosis and ongoing patient monitoring/management. These markets represent significant opportunities to expand sales of Technegas® and drive shareholder value over the medium term.

COMMERCIALISE ULTRALUTE™

As previously advised, the Company has been pursuing registration of our proprietary Ultralute™ technology as a medical device in the European Union and to register Ultralute™, through the Australian Therapeutic Goods Administration (TGA), as a Class 1 Medical device listed on the Australian Register of Therapeutic Goods.

The EU is currently undergoing a change in the regulatory regime as it shifts from the MDD to the MDR regime. Consequently, authorised notified bodies are required to reassess and recertify the conformity of all existing medical devices in accordance with the new MDR. The Company has been advised that due to the enormity of the number of reassessment reviews in progress, as a result, any new products being introduced within the region is taking longer than would otherwise be the case.

In response, the Company prioritised Ultralute™'s Australian Register of Therapeutic Goods (ARTG) registration with the TGA while continue to pursue registration in the EU once certification review times improve.

Notwithstanding the changed registration environment in Europe, Cyclopharm continues to consider that market as the most prospective and commercially viable to launch Ultralute™.

OTHER BUSINESSES

Cyclopharm's European distribution business secures new contract

Cyclopharm is pleased to advise its recently acquired European distribution business has signed a 5-year agreement with Jubilant Draximage Inc of Canada, to distribute its RUBY-FILL® Generators and accessories in 14 European countries.

This new agreement demonstrates the success of the Company's strategy to pursue revenue from distributing third parties' products, following the recent acquisition of certain of the Company's European distributors and builds on our existing distribution partnerships with TEMA Sinergie based in Italy and ROTOP Pharmaka based in Germany .

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

Joint Venture - Macquarie Medical Imaging

In 2019, Macquarie Connect and CycloPet finalised their agreement to a business transfer which results in Macquarie University Hospital becoming the sole owner of imaging services provided by Macquarie Medical Imaging (MMI).

Cyclopharm has relinquished its 20% equity ownership in MMI and will be fully released from any further obligations under its lease of premises along with the outstanding loans associated with the fit-out and equipment when all accounts payable and receivables have been finalised during the first calendar quarter of 2020.

Further, Cyclopharm issued 300,000 ordinary shares in exchange for the termination of a put option to a shareholder of MMI. The termination of the put option will mean Cyclopharm is no longer required to record a contingent liability in its accounts. The value of that contingent liability at 31 December 2018 was estimated not to exceed $2,838,442.

Business Venture Collaboration – CycloPet's Cyclotron Facility at Macquarie University Hospital

In 2019 a business venture collaboration agreement between the Company, Pettech Solutions Limited a wholly owned subsidiary of the Australian Nuclear Science and Technical Organisation ('ANSTO') and Cyclotek was executed. The collaboration will combine CycloPet and Pettech's cyclotron facilities under a single operating enterprise known as Cyclotek NSW.

CYC will benefit from eliminating an ongoing non-productive lease expense and gain access to a potential income stream from what was a suspended business. Additionally, outcomes from Cyclotek NSW's R&D and commercial activities will provide for additional opportunities via the international commercial rights to IP developed

Under the Cyclotek NSW agreements, Cyclopharm estimates its total net ongoing operational expense savings will be approximately $280,000 per annum, excluding any Cyclotek NSW profit share payments.

The FY2019 financial impact resulting from both the MMI announced last week and Cyclotron transaction will result in a net benefit to Cyclopharm of $500,000 for FY2019.

Ongoing Litigation

Cyclopharm continues to vigorously and successfully defend its valuable Intellectual Property. In 2017, the company recorded bad debt provisions of approximately A$540,000 related to its former General Manager and Director for the German subsidiary, Mr Bjorn Altmann and Almedis Altmann GmbH ("Almedis").

In 2019, Cyclopharm successfully brought an initial civil case against Altmann and Almedis which resulted in the Company, being awarded and receiving a payment of approximately A$339,000, which represents 100% of this claim. The company is continuing with its efforts to recover the remainder of this bad debt provision along with other claims.

Cyclopharm has also initiated additional legal proceedings against individuals based in Australia linked with Altmann. This legal action resulted in an increase in total litigation costs for the 2019 year to approximately A$1.1 million (vs FY2018 $540k), which the Company will also seek to recover.

Cyclopharm is highly confident of a successful outcome to the current legal proceedings.

SUMMARY AND OUTLOOK

2019 was a year of significant investment in the strategic priorities that will drive the next phase of Cyclopharm's growth along with finalising outstanding issues of the past. During the year, we recorded a solid underlying sales and earnings performance from our continuing operations, supporting our USFDA trials, R&D and ongoing dividends.

In 2019, $3.84 million was invested to progress USFDA regulatory approval for the use of Technegas® in the US for diagnosing PE, a market valued at US$90 million. Our USFDA trial is expected to progress whilst our 505(b)2 NDA is being assessed. Our current trial underscores the strength of or Beyond PE strategy as Technegas is being used in the trial across several indications to include lung transplants, Pulmonary Hypertension, CTEPH and acute Pulmonary Embolism. We are also continuing to pursue regulatory approvals to commence sales of Technegas® in Russia and additional European markets.

In 2019 we expanded our Quality and Regulatory team to meet the compliance requirements in both existing and future markets to include the USA. Included in our new Quality and Regulatory team are the appointments of Ms Niamh McAree Head of Quality and Regulatory and Dr Mark Doverty, as our Global Head of Regulatory Compliance and Clinical Research. Cyclopharm's quality program has made substantial continuous improvement advancements under the leadership and expertise of Niamh and Mark.

We have also filled two other vital vacancies in our management team. Ms Sally Ann Cornelius joins the Company as Head of Sales and Mr Chris Quinn has joined us as Global Service Manager. Both Sally Ann and Chris bring with them extensive experience in the global nuclear medicine and medical device industries.

Managing Director's Report
Continued

We invested over $0.35 million in a 'Beyond PE' clinical trial to expand the use of Technegas® into the diagnosis and monitoring of severe Asthma which represents a much larger market than our current application in the Pulmonary Embolism market. We expect to see the first publication generated from this study during the first calendar half of 2020.

In 2020, the company will continue to focus on developing and enhancing its quality systems and processes, as we pursue to meet all relevant compliance benchmarks, including the USFDA and the new European Medical Device Reporting requirements. As the company progresses towards the anticipated USFDA's approval to market Technegas® in the US market, we will invest in building our inventory and sales capabilities to facilitate rapid market entry.

The company's underlying solid financial performance and successful equity placement during December 2019 allowed the Group to maintain its healthy capital position and dividend policy. In this regard, the Final dividend was maintained at 0.5 cents per share (cps), bringing total unfranked dividends for 2019 to 1.0 cps.

I look forward to continuing to report to our shareholders our progress against our next phase growth drivers which are expected to deliver positive returns for our investors and support our strategic priorities, which remain:

1. Expanding Technegas® sales by attaining approval to distribute Technegas® in the USA in 2020;
2. Expanding the use of Technegas® beyond the traditional diagnosis of Pulmonary Embolism (PE) into significantly larger applications such as Chronic Obstructive Pulmonary Disease (COPD) and Asthma, Lung Cancer, Lung Volume Reduction and Pulmonary Hypertension for both diagnosis and ongoing patient /monitoring/management;
3. Identifying, developing and commercialising complementary innovative technology such as Ultralute™; and
4. Leveraging our core global regulatory strengths, fiscal discipline, strong balance sheet and well-developed expertise in nuclear medicine and pulmonary healthcare to seek out complementary technologies and businesses.

Finally, I thank all my colleagues, the Cyclopharm Board, with a special thanks to CYC's Chief Operating Officer Mathew Farag, who collectively have contributed to the growth of the Company over recent years. The Cyclopharm management team, with the ongoing support of the Board, are absolutely committed to delivering positive health outcomes for our patients and growing financial rewards to our shareholders.

James McBrayer
Managing Director

Consolidated Statement of Profit or Loss And Other Comprehensive Income
for the year ended 31 December 2019

UNAUDITED

		Consolidated	
		2019	2018
	Notes	$	$
CONTINUING OPERATIONS			
Sales revenue	5	14,078,801	13,404,222
Finance revenue	5	25,513	103,411
Other revenue	5	2,934,187	2,122,351
Total revenue		**17,038,501**	**15,629,984**
Cost of materials and manufacturing	5a	(2,908,664)	(2,965,588)
Employee benefits expense	5e	(5,475,889)	(4,457,135)
Advertising and promotion expense		(235,463)	(319,148)
Depreciation and amortisation expense	5c	(999,939)	(510,230)
Freight and duty expense		(409,155)	(436,340)
Research and development expense	5d	(4,192,577)	(3,219,385)
Administration expense	5f	(5,747,946)	(4,040,894)
Reversal of contingent consideration		-	313,922
Other income	5g	786,448	149,351
(Loss) / Profit before tax and finance costs		**(2,144,684)**	**144,537**
Finance costs	5b	(280,259)	(26,129)
(Loss) / Profit before income tax		**(2,424,943)**	**118,408**
Income tax	6	(487,497)	(153,864)
Loss for the year		**(2,912,440)**	**(35,456)**
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)		(11,273)	62,230
Total comprehensive (loss) / income for the year		**(2,923,713)**	**26,774**
Loss per share (cents per share)	7	**cents**	**cents**
-basic loss per share from continuing operations		(4.28)	(0.05)
-basic loss per share		(4.28)	(0.05)
-diluted loss per share		(4.28)	(0.05)

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

Consolidated Statement of Financial Position

as at 31 December 2019

UNAUDITED

	Notes	Consolidated 2019 $	2018 $
Assets			
Current Assets			
Cash and cash equivalents	8	12,660,323	5,854,959
Trade and other receivables	9	3,979,595	6,247,065
Inventories	10	2,495,443	2,771,546
Current tax asset	6	225,585	78,377
Derivative - forward exchange contract		-	274,904
Other assets		249,674	227,599
Total Current Assets		**19,610,620**	**15,454,450**
Non-current Assets			
Property, plant and equipment	11	2,070,854	2,468,406
Right-of-use assets	12	4,207,931	-
Investments	13	-	-
Intangible assets	14	5,145,349	4,570,344
Deferred tax assets	6	1,493,663	1,043,521
Total Non-current Assets		**12,917,797**	**8,082,271**
Total Assets		**32,528,417**	**23,536,721**
Liabilities			
Current Liabilities			
Trade and other payables	15	2,632,362	3,599,465
Interest bearing loans and borrowings	16	-	58,985
Lease liabilities	17	172,582	61,592
Provisions	18	652,254	855,517
Tax liabilities	6	22,932	643,644
Total Current Liabilities		**3,480,130**	**5,219,203**
Non-current Liabilities			
Trade and other payables	15	-	336,864
Lease liabilities	17	4,749,883	-
Provisions	18	23,023	300,609
Deferred tax liabilities	6	277,568	517
Deferred income liabilities	19	793,868	663,559
Total Non-current Liabilities		**5,844,342**	**1,301,549**
Total Liabilities		**9,324,472**	**6,520,752**
Net Assets		**23,203,945**	**17,015,969**
Equity			
Contributed equity	20	31,576,003	21,905,035
Employee equity benefits reserve	28	1,041,373	663,005
Foreign currency translation reserve	28	(552,244)	(540,971)
Accumulated losses		(8,861,187)	(5,011,100)
Total Equity		**23,203,945**	**17,015,969**

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

UNAUDITED

	Notes	Consolidated 2019 $	Consolidated 2018 $
Operating activities			
Receipts from customers		15,509,819	14,137,456
Payments to suppliers and employees		(19,866,221)	(16,437,006)
Interest received		25,513	103,411
Borrowing costs paid		(280,259)	(26,129)
Income tax received		4,121,808	1,114,933
Net cash flows used in operating activities	8	**(489,340)**	**(1,107,335)**
Investing activities			
Payment of deferred consideration on acquisition of subsidiary		(343,209)	(680,967)
Cash acquired upon acquisition of subsidiary		-	86,830
Purchase of property, plant and equipment		(38,198)	(206,098)
Payments for intangible assets		(439,084)	(602,878)
Net cash flows used in investing activities		**(820,491)**	**(1,403,113)**
Financing activities			
Proceeds from issue of shares		9,775,000	-
Share issue cost (net of tax)		(413,032)	-
Settlement of loan for Long Term Incentive Plan Shares		-	353,308
Dividends paid		(660,501)	(651,472)
Repayment of bank borrowings		(58,985)	(54,289)
Payment for lease liabilities (AASB 16)		(551,229)	-
Net cash flows from / (used in) financing activities		**8,091,253**	**(352,453)**
Net increase / (decrease) in cash and cash equivalents		**6,781,422**	**(2,862,901)**
Cash and cash equivalents			
- at beginning of the period		**5,854,959**	**8,689,676**
- net foreign exchange differences from translation of cash and cash equivalents		23,942	28,184
- at end of the year	8	**12,660,323**	**5,854,959**

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

UNAUDITED

CONSOLIDATED	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings / (Accumulated Losses) $	Foreign Currency Translation Reserve (Note 28(b)) $	Employee Equity Benefits Reserve (Note 28(a)) $	Total $
Balance at 1 January 2018	**26,884,885**	**(5,333,158)**	**21,551,727**	**(4,324,172)**	**(603,201)**	**625,038**	**17,249,392**
Loss for the year	-	-	-	(35,456)	-	-	(35,456)
Other comprehensive loss	-	-	-	-	62,230	-	62,230
Total comprehensive loss for the year	**-**	**-**	**-**	**(35,456)**	**62,230**	**-**	**26,774**
Payment of loan for Long Term Incentive Plan shares	353,308	-	353,308	-	-	-	353,308
Dividends paid	-	-	-	(651,472)	-	-	(651,472)
Cost of share based payments	-	-	-	-	-	37,967	37,967
Total transactions with owners and other transfers	**353,308**	**-**	**353,308**	**(651,472)**	**-**	**37,967**	**(260,197)**
	-	-	-	-	-	-	-
Balance at 31 December 2018	**27,238,193**	**(5,333,158)**	**21,905,035**	**(5,011,100)**	**(540,971)**	**663,005**	**17,015,969**
Balance at 1 January 2019	**27,238,193**	**(5,333,158)**	**21,905,035**	**(5,011,100)**	**(540,971)**	**663,005**	**17,015,969**
Adjustment for change in accounting policy (note 2)	-	-	-	(277,146)	-	-	(277,146)
Restated balance at 1 January 2019	**27,238,193**	**(5,333,158)**	**21,905,035**	**(5,288,246)**	**(540,971)**	**663,005**	**16,738,823**
Loss for the year	-	-	-	(2,912,440)	-	-	(2,912,440)
Other comprehensive loss	-	-	-	-	(11,273)	-	(11,273)
Total comprehensive loss for the year	**-**	**-**	**-**	**(2,912,440)**	**(11,273)**	**-**	**(2,923,713)**
Issue of shares	10,084,000	-	10,084,000	-	-	-	10,084,000
Share issue cost (net of tax)	(413,032)	-	(413,032)	-	-	-	(413,032)
Dividends paid	-	-	-	(660,501)	-	-	(660,501)
Cost of share based payments	-	-	-	-	-	378,368	378,368
Total transactions with owners and other transfers	**9,670,968**	**-**	**9,670,968**	**(660,501)**	**-**	**378,368**	**9,388,835**
Balance at 31 December 2019	**36,909,161**	**(5,333,158)**	**31,576,003**	**(8,861,187)**	**(552,244)**	**1,041,373**	**23,203,945**

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

1. CORPORATE INFORMATION

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

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

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 2019.

AASB 16: Leases

The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 Leases and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However Loss before tax, depreciation and finance results reduces as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption as at 1 January 2019 was as follows:

	1 January 2019 $'000
Operating lease commitments as at 1 January 2019 (AASB 117)	3,308
Finance lease commitments as at 1 January 2019 (AASB 117)	62
	3,370
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4.5% (AASB 16) *	2,313
Short-term leases not recognised as right-of-use assets (AASB 16)	(73)
Different treatment of options	3,001
	5,241
Lease liability - current	655
Lease liability - non-current	4,586
Plant and equipment - right-of-use-asset	4,652

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Right-of-use assets	Increase	4,652
Property, plant & equipment	Decrease	(214)
Net deferred tax assets	Increase	80
Lease liabilities	Increase	(5,241)
Lease incentive	Decrease	287
Make good liability	Decrease	159
Accumulated losses net impact	Decrease	277

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

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

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

* This includes the impact of assessing the lease term under AASB16 in determining the reduction in opening retained profits as at 1 January 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Interpretation 23: Uncertainty over Income Tax Treatments

Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments.

Consequential amendments are made to AASB 1 First-time Adoption of Australian Accounting Standards as a result of Interpretation 23 by AASB 2017-4.

The adoption of this Interpretation does not have a material impact on the Group's financial statements.

AASB 2017-6: Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation.

This Standard amends AASB 9 to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature.

The adoption of AASB 2017-6 does not have a material impact on the Group's financial statements.

AASB 2017-7: Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

This Standard amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

The adoption of this Standard does not have a material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 January 2022:

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 2022 by AASB 2017-5.

These new and amended Standards are not expected to have a significant impact on the Group's financial statements.

d) Basis of consolidation

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

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2019. All subsidiaries have a reporting date of 31 December.

Subsidiaries

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

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

Transactions eliminated on consolidation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

The functional currency of the overseas subsidiaries Cyclomedica Ireland Limited, Cyclomedica Germany GmbH, Cyclomedica Europe Limited, and Inter Commerce Medical bvba, is European Euro (Euro €), Medicall Analys AB is Swedish Kroner (SEK) 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 the reporting date.
- Income and expenses are translated at the average exchange rates for the period.
- Retained profits/equity are translated at the exchange rates prevailing at the date of the transaction.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Income tax

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

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

Tax consolidation

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

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

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

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

g) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

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

Depreciation

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

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

	Basis	Method
Plant and equipment	5 - 33%	Straight-line method
Leasehold Improvements	20 - 50%	Straight-line method
Motor vehicles	20 - 25%	Straight-line method

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 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Intangibles

Intangible assets

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

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

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

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

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

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

Research and development costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

k) Trade and other receivables

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

l) 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.

m) 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.

n) 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.

o) Provisions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) 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.

r) Other Revenue

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.

Research & Development Tax Incentive

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) 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.

t) Financial instruments

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

Loans and receivables

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

De-recognition of financial instruments

Financial liabilities

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

Impairment of financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Contributed equity

Share capital

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

Other contributed equity

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) 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.

w) 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.

x) 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, delayed any decisions about the future use of the Cyclotron facility until it is restored to its former operational status. Recent negotiations with other parties to establish a new business have concluded with the Company entering into a Business Venture Collaboration Agreement with Cyclotek Australia Pty Ltd and Pettech, a wholly owned subsidiary of ANSTO. In parallel the Company entered into a Business Sale Transfer agreement for the operations conducted at the Company's Cyclotron facility located at Macquarie University Hospital.

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

Useful lives of property, plant and equipment

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

Lease term

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

Incremental borrowing rate

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payment transactions

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

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. Refer to Note 26 for details of the Company's Share Based Payment Plan.

Key Judgements

Taxation

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

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	For the year ended 31 December 2019		
	Technegas	Molecular Imaging	Total
Segments	$	$	$
Type of goods or service			
Sales of equipment and consumables	12,774,045	-	12,774,045
After sales services	1,304,756	-	1,304,756
Total revenue from contracts with customers	**14,078,801**	**-**	**14,078,801**
Geographical markets			
Asia Pacific	2,313,912	-	2,313,912
Europe	8,742,760	-	8,742,760
Canada	2,558,344	-	2,558,344
Other	463,785	-	463,785
Total revenue from contracts with customers	**14,078,801**	**-**	**14,078,801**
Timing of revenue recognition			
Goods transferred at a point in time	13,840,520	-	13,840,520
Services transferred over time	238,281	-	238,281
Total revenue from contracts with customers	**14,078,801**	**-**	**14,078,801**

	For the year ended 31 December 2018		
	Technegas	Molecular Imaging	Total
Segments	$	$	$
Type of goods or service			
Sales of equipment and consumables	12,411,070	-	12,411,070
After sales services	993,152	-	993,152
Total revenue from contracts with customers	**13,404,222**	**-**	**13,404,222**
Geographical markets			
Asia Pacific	2,662,870	-	2,662,870
Europe	8,348,476	-	8,348,476
Canada	2,145,411	-	2,145,411
Other	247,465	-	247,465
Total revenue from contracts with customers	**13,404,222**	**-**	**13,404,222**
Timing of revenue recognition			
Goods transferred at a point in time	13,164,161	-	13,164,161
Services transferred over time	240,061	-	240,061
Total revenue from contracts with customers	**13,404,222**	**-**	**13,404,222**

There are no impairment losses on receivables and contract assets arising from contracts with customers.

4. SEGMENT REPORTING

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

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

The Technegas segment is a supplier of diagnostic equipment and consumables used by physicians in the detection of pulmonary embolism.

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 2019 and 31 December 2018.

Geographical segments
The tables under the heading geographical segment present revenue and asset information regarding geographical segments for the years ended 31 December 2019 and 31 December 2018.

4. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2019	Technegas $	Consolidated Molecular Imaging $	Total $
Revenue			
Sales to external customers	14,078,801	-	14,078,801
Finance revenue	23,980	1,533	25,513
Other revenue	2,934,187	-	2,934,187
Total revenue	**17,036,968**	**1,533**	**17,038,501**
Result			
(Loss) / profit before tax and finance costs	**(2,903,095)**	**758,411**	**(2,144,684)**
Finance costs	(267,796)	(12,463)	(280,259)
(Loss) / profit before income tax	**(3,170,891)**	**745,948**	**(2,424,943)**
Income tax	(1,019,968)	532,471	(487,497)
(Loss) / profit after income tax	**(4,190,859)**	**1,278,419**	**(2,912,440)**
Assets and liabilities			
Segment assets	31,172,974	1,355,443	32,528,417
Segment asset increases for the period :			
- capital expenditure	238,446	-	238,446
Segment liabilities	(9,287,959)	(36,513)	(9,324,472)
Other segment information			
Depreciation and amortisation	(737,653)	(262,286)	(999,939)

AASB 16 was adopted using the modified retrospective approach as such the comparatives have not been restated. Therefore, the current and comparative Loss before tax, depreciation and finance costs are not directly comparable.

4. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2018	Technegas $	Consolidated Molecular Imaging $	Total $
Revenue			
Sales to external customers	13,404,222	-	13,404,222
Finance revenue	101,870	1,541	103,411
Other revenue	2,122,351	-	2,122,351
Total revenue	**15,628,443**	**1,541**	**15,629,984**
Result			
Profit / (loss) before tax and finance costs	**479,301**	**(334,764)**	**144,537**
Finance costs	(23,452)	(2,677)	(26,129)
Profit / (loss) before income tax	**455,849**	**(337,441)**	**118,408**
Income tax expense	(180,631)	26,767	(153,864)
Profit / (loss) after income tax	**275,218**	**(310,674)**	**(35,456)**
Assets and liabilities			
Segment assets	20,664,136	2,872,585	23,536,721
Segment asset increases for the period :			
- capital expenditure	279,143	-	279,143
Segment liabilities	(5,476,181)	(1,044,571)	(6,520,752)
Other segment information			
Depreciation and amortisation	(510,174)	(56)	(510,230)

4. SEGMENT REPORTING (continued)

Geographical Segments

	Consolidated				
For the year ended	**Asia Pacific**	**Europe**	**Canada**	**Other**	**Total**
31 December 2019	**$**	**$**	**$**	**$**	**$**
Revenue					
Sales to external customers	2,313,912	8,742,760	2,558,344	463,785	14,078,801
Finance revenue	15,893	9,620	-	-	25,513
Other revenue	2,934,187	-	-	-	2,934,187
Total segment revenue	**5,263,992**	**8,752,380**	**2,558,344**	**463,785**	**17,038,501**
Assets					
Segment assets	24,608,560	7,007,539	912,318	-	32,528,417

	Consolidated				
For the year ended	**Asia Pacific**	**Europe**	**Canada**	**Other**	**Total**
31 December 2018	**$**	**$**	**$**	**$**	**$**
Revenue					
Sales to external customers	2,662,870	8,348,476	2,145,411	247,465	13,404,222
Finance revenue	103,316	95	-	-	103,411
Other revenue	2,122,351	-	-	-	2,122,351
Total segment revenue	**4,888,537**	**8,348,571**	**2,145,411**	**247,465**	**15,629,984**
Assets					
Segment assets	16,025,379	6,686,068	825,274	-	23,536,721

5. REVENUES AND EXPENSES

	Notes	Consolidated 2019 $	Consolidated 2018 $
Revenue			
Sales revenue		14,078,801	13,404,222
Finance revenue - Interest received from other parties		25,513	103,411
Other Revenue			
R&D Tax incentive refund		2,934,187	2,122,351
Total other revenue		2,934,187	2,122,351
(Note 3 discloses the disaggregation of the Group's revenue from contracts with customers)			
Expenses			
a) Cost of materials and manufacturing			
Cost of materials and manufacturing		2,908,664	2,965,588
b) Finance costs			
Interest paid on loans from external parties		46,868	26,129
Interest on leased assets (AASB 16)		233,391	-
Total finance costs		**280,259**	**26,129**
c) Depreciation and amortisation			
Depreciation of plant and equipment		122,283	144,358
Depreciation of leasehold improvements		222,337	275,757
Depreciation of leased assets (AASB 16)		551,229	-
Amortisation of intangibles		104,090	90,115
		999,939	510,230
d) Research & development expense			
FDA expenses		3,841,534	2,964,770
Pilot Clinical Trial expenses		350,844	251,301
Research expenses		199	3,314
		4,192,577	3,219,385
e) Employee benefits expense			
Salaries and wages		4,564,313	3,947,991
Defined contribution superannuation expense		361,261	297,777
Non-Executive Director fees		171,947	173,400
Share-based payments expense	26a	378,368	37,967
		5,475,889	4,457,135
f) Administration expense			
Legal and professional costs		4,121,851	2,184,313
Office and facility costs		900,579	707,308
Provision for / (Reversal of) doubtful debts		17,534	(122,220)
Operating lease expenses		-	718,351
Travel and motor vehicle costs		707,982	553,142
		5,747,946	4,040,894
g) Other (income) / expense			
Realised Foreign exchange gains		(54,171)	(86,574)
Unrealised Foreign exchange gains		(100,275)	(277,724)
Recoveries from litigation		(338,908)	-
Costs of terminating put option		309,000	-
Rent waiver from landlord of cyclotron facility		(976,044)	-
Other		373,950	214,947
		(786,448)	(149,351)

6. INCOME TAX

	2019	2018
	$	$
The components of income tax expense comprise:		
Current income tax expense	(423,756)	(98,216)
Deferred tax expense	(63,741)	(55,648)
	(487,497)	**(153,864)**
A reconciliation of income tax expense applicable to accounting (loss) / 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 (loss) / profit before income tax	**(2,424,943)**	**118,408**
Statutory income tax rate of 27.5% (2018: 27.5%)	666,859	(32,562)
Effects of lower rates on overseas income	197,077	161,606
Expenditure not allowable for income tax purposes	(2,093,312)	(2,130,823)
Non-assessable income	806,901	1,195,552
Overprovsion of previous years	-	709,074
Temporary differences reversed in Australian group	(64,132)	(55,554)
Temporary differences recognised overseas	391	94
Tax losses not recognised overseas	(1,281)	(1,251)
Total income tax expense	**(487,497)**	**(153,864)**
Effective income tax rate	20.1%	(129.9%)
Current income tax asset	**225,585**	**78,377**
Current income tax liability	**22,932**	**643,664**
Deferred tax relating to capital raising costs, credited directly to equity	**156,668**	**-**
Deferred tax assets		
Deferred tax assets from temporary differences on:		
Investments	1,110,124	402,139
Provisions and accruals	24,195	458,584
Other	359,344	182,798
Total deferred tax assets	**1,493,663**	**1,043,521**
Movements in deferred tax assets		
Opening balance	1,043,521	1,098,949
Adjustment on adopting AASB 16 Leases	80,164	-
Temporary differences brought to account (reversed)	369,978	(55,428)
Closing balance	**1,493,663**	**1,043,521**
Deferred tax liabilities		
Deferred tax liabilities from temporary differences on:		
Investments	277,568	-
Provisions and accruals	-	517
Total deferred tax liabilities	**277,568**	**517**
Movements in deferred tax liabilities		
Opening balance	517	549
Temporary differences brought to account (reversed)	277,051	(32)
Closing balance	**277,568**	**517**
Deferred tax assets for which no benefit has been recognised:		
- arising from temporary differences - at 27.5%	826,669	873,948
- arising from capital tax losses - at 27.5%	21,686	21,686

7. NET TANGIBLE ASSETS AND EARNINGS PER SHARE

Net Tangible Assets per share

	Consolidated	
	2019	2018
	$	$
Net assets per share	0.30	0.25
Net tangible assets per share	0.23	0.18
	Number	Number
Number of ordinary shares for net assets per share	78,238,398	68,698,873
	2019	2018
	$	$
Net assets	23,203,945	17,015,969
Net tangible assets	18,058,596	12,445,625

The number of ordinary shares includes the effects of 539,525 Long Term Incentive Performance ('LTIP') shares issued on 11 December 2019, 200,000 LTIP shares issued on 30 May 2019 (2018: 500,000 Long Term Incentive Performance shares issued on 2 July 2018) and excludes 55,443 expired LTIP shares cancelled on 8 October 2018 as set out in Note 20.

Loss per share

	Consolidated	
	2019	2018
	cents	cents
Basic loss per share for continuing operations	(4.28)	(0.05)
Basic loss per share	(4.28)	(0.05)
Diluted loss per share	(4.28)	(0.05)
	Number	Number
Weighted average number of ordinary shares for basic loss per share	68,121,079	67,973,873
Weighted average number of ordinary shares for diluted loss per share	68,121,079	67,973,873
	2019	2018
	$	$
Loss used to calculate basic earnings per share	(2,912,440)	(35,456)
Loss used to calculate diluted earnings per share	(2,912,440)	(35,456)

The weighted average number of ordinary shares for basic loss per share excludes the effects of 200,000 LTIP shares issued on 30 May 2019, 500,000 LTIP shares issued on 2 July 2018 and 225,000 LTIP shares issued on 19 April 2017 set out in Note 20 as they are contingently returnable.

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	**2018**
	$	**$**
Cash at bank and in hand	12,660,323	5,854,959
Total cash and cash equivalents	**12,660,323**	**5,854,959**

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

The fair value of cash equivalents is $12,660,323 (2018: $5,854,959).

Reconciliation of Statement of Cash Flows	**2019**	**2018**
	$	**$**
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	12,660,323	5,854,959
	12,660,323	**5,854,959**
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss after tax	**(2,912,440)**	**(35,456)**
Adjustments for non-cash income and expense items:		
Depreciation	895,849	420,115
Amortisation	104,090	90,115
Property, plant and equipment written off	213,548	-
Cost of terminating put option	309,000	-
Movement in intangible assets	-	(1,290,551)
Movement provision for employee benefits	(194,502)	(86,832)
Movement in foreign exchange	(35,215)	34,046
Movement in employee benefits reserve	378,368	37,967
Movement in other provisions	(268,813)	558,264
	(1,510,115)	**(272,332)**
Increase/decrease in assets and liabilities:		
Decrease / (increase) in receivables	2,681,053	(744,320)
Decrease / (increase) in inventories	276,103	(94,243)
Decrease / (increase) in other receivables	178,288	(448,946)
Increase in current tax asset	(147,208)	(50,599)
(Increase) / Decrease in deferred tax assets	(450,142)	55,428
(Decrease) / Increase in creditors	(1,303,967)	1,175,008
Decrease in current tax liabilities	(620,712)	(929,415)
Increase / (Decrease) in deferred tax liabilities	277,051	(32)
Increase in deferred income liability	130,309	202,116
Net cash flow used in operating activities	**(489,340)**	**(1,107,335)**

8. CASH AND CASH EQUIVALENTS (continued)

(b) Non-cash financing and investing activities

The following Long Term Incentive Plan (LTIP) shares were issued by way of loans:

- 200,000 Long Term Incentive Plan (LTIP) shares were issued on 30 May 2019,
- 500,000 Long Term Incentive Plan (LTIP) shares were issued on 2 July 2018.

During 2018, 138,000 LTIP shares vested and an election was made to extend the exercise period for up to 5 years, whilst 55,443 LTIP shares lapsed and were cancelled. Refer to Note 20 Contributed Equity and Note 26 Share Based Payment Plans.

9. TRADE AND OTHER RECEIVABLES

		Consolidated	
		2019	2018
	Notes	$	$
Current			
Trade receivables, third parties		3,673,271	3,954,464
Allowance for expected credit loss	(v)	(107,259)	(417,610)
Net Trade receivables, third parties	(i)	3,566,012	3,536,854
Other receivables	(ii), (iii)	413,583	2,710,211
Total Current trade and other receivables		**3,979,595**	**6,247,065**
Non-current			
Trade receivables, associate	(vi)	-	230,782
Allowance for expected credit loss	(vi)	-	(230,782)
Total Non-current trade and other receivables		**-**	**-**
Total trade and other receivables		**3,979,595**	**6,247,065**

Terms and conditions

Terms and conditions relating to the above financial instruments

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

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

(iii) Other receivables for the financial year ended 31 December 2018 included accrued R&D Tax Incentive of $2,324,467 which was received upon lodgement and processing of the 2018 income tax return. The R&D Tax Incentive for the current financial year was received in November 2019.

(iv) Related party details are set out in the Note 23 Related Party Disclosures.

(v) A court awarded payment of $338,908 was received in January 2019 upon the successful outcome of litigation brought against a former General Manager for Germany and Almedis Altmann GmbH, an entity controlled by him.

(vi) This amount has been written off as unrecoverable upon MQ Health taking over the business operations of Macquarie Medical Imaging Pty Ltd from 7 December 2019.

10. INVENTORIES

*

	Notes	Consolidated 2019 $	Consolidated 2018 $
Current			
Raw materials at cost		1,334,713	1,198,130
Finished goods at lower of cost or net realisable value		1,199,849	1,614,033
Provision for obsolescence		(39,119)	(40,617)
Total inventory		**2,495,443**	**2,771,546**

11. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2019 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2019						
at written down value	299,890	1,702,595	388,091	-	77,830	2,468,406
Additions / Transfers	10,006	21,790	134,989	-	71,661	238,446
Disposals / Transfers	-	(213,548)		-	(77,830)	(291,378)
Foreign exchange translation				-	-	-
Depreciation for the year	(10,241)	(222,337)	(112,042)	-	-	(344,620)
31 December 2019						
at written down value	**299,655**	**1,288,500**	**411,038**	**-**	**71,661**	**2,070,854**
1 January 2019						
Cost value	2,383,603	5,010,569	8,295,535	120,901	77,830	15,888,438
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(201,753)	(699,062)	(3,538,153)	(120,901)	-	(4,559,869)
Net carrying amount	**299,890**	**1,702,595**	**388,091**	**-**	**77,830**	**2,468,406**
31 December 2019						
Cost value	2,393,609	4,818,811	8,430,524	120,901	71,661	15,835,506
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(211,994)	(921,399)	(3,650,195)	(120,901)	-	(4,904,489)
Net carrying amount	**299,655**	**1,288,500**	**411,038**	**-**	**71,661**	**2,070,854**

* 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 final decisions about the future use of the cyclotron facility until its restoration 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 (x).

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2018 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2018						
at written down value	305,098	1,883,597	445,726	-	48,002	2,682,423
Additions / Transfers	-	90,910	116,573	-	71,660	279,143
Disposals / Transfers	-	-	(206)	-	(41,832)	(42,038)
Foreign exchange translation	4,798	3,845	(39,650)	-	-	(31,007)
Depreciation for the year	(10,006)	(275,757)	(134,352)	-	-	(420,115)
31 December 2018						
at written down value	**299,890**	**1,702,595**	**388,091**	**-**	**77,830**	**2,468,406**
1 January 2018						
Cost value	2,378,282	4,919,659	8,191,866	120,901	48,002	15,658,710
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(191,224)	(427,150)	(3,376,849)	(120,901)	-	(4,116,124)
Net carrying amount	**305,098**	**1,883,597**	**445,726**	**-**	**48,002**	**2,682,423**
31 December 2018						
Cost value	2,383,603	5,010,569	8,295,535	120,901	77,830	15,888,438
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(201,753)	(699,062)	(3,538,153)	(120,901)	-	(4,559,869)
Net carrying amount	**299,890**	**1,702,595**	**388,091**	**-**	**77,830**	**2,468,406**

* 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 final decisions about the future use of the cyclotron facility until its restoration 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 (x).

Fair Value Measurement

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

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

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation techniques

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

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

The Cyclopharm Board decided to cease commercial production at its Cyclotron facility at the end of April 2014 due to the impact on the Group's profits of the government-owned competition. In making that decision, the Board valued the Cyclotron facility, comprised of buildings, leasehold improvements and plant and equipment at a fair value of nil, using the market approach and income approach techniques. The market technique predominantly used recent observable market data for similar new equipment in Australia, adjusted for loss in value caused by physical deterioration, functional obsolescence, economic obsolescence and the industry specific aspects affecting this highly specialised asset i.e. the government-owned competition which had rendered further participation in the molecular imaging industry uneconomic and its future use uncertain. The same industry specific factors were applied to the income approach technique. Both techniques resulted in a fair value of nil being recognised for the Cyclotron facility as at 31 December 2014. Cyclopharm considers that the same conditions still apply at 31 December 2019. Furthermore, the damage caused to the Cyclotron facility in June 2014 has delayed any final decisions about the future use of the Cyclotron facility until its restoration 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 2019.

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 2019 $	Level 2 2018 $
Buildings	-	-
Plant and equipment	-	-
Leasehold improvements	-	-
Total non-financial assets recognised at fair value	-	-

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

12. RIGHT-OF-USE ASSETS

	Consolidated	
	2019	2018
	$	$
Land and buildings - right-of-use	5,200,067	-
Less: Accumulated depreciation	(1,030,860)	-
	4,169,207	**-**
Motor vehicle - right-of-use	260,097	-
Less: Accumulated depreciation	(221,373)	-
	38,724	**-**
Total right-of-use assets	**4,207,931**	**-**

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

					Consolidated	
					2019	2018
Equity accounted investments				**Notes**	**$**	**$**
Associated companies				(a)	-	-

Name	**Principal Activities**	**Principal place of business**	**Measurement Method**	**Ownership Interest**	
				2019	**2018**
Macquarie Medical Imaging Pty Ltd	Imaging centre	Sydney, Australia	Equity method	20%	20%

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

		Consolidated	
		2019	2018
Extract from the associate's statement of financial position:	**Notes**	**$**	**$**
Current Assets		5,470,644	1,667,541
Non-current Assets		1,577,468	9,622,837
Current Liabilities		(19,647,135)	(14,671,387)
Non-current Liabilities		-	(8,733,080)
Net Liabilities		(12,599,023)	(12,114,089)
Share of associate's Net Liabilities	(a)	(2,519,805)	(2,422,818)

		Consolidated	
		2019	2018
Extract from the associate's statement of comprehensive income:	**Notes**	**$**	**$**
Revenue		14,650,032	14,650,032
Net Loss	(a)	(39,973)	(2,589,397)

(a) The share of the associate's loss not recognised during the year was $7,994 (2018: loss of $517,879) and the cumulative share of the associate's loss not recognised as at 31 December 2019 was $3,459,836 (31 December 2018: $3,451,842). 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 2019 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 (2018: $nil).

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

Contingent liabilities

(b) There were no contingent liabilities as at the date of this report (2018: $2,838,442). In December 2019, Cyclopharm issued 300,000 ordinary shares in exchange for the termination of a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI"). The cost had the put option been exercised at 31 December 2018 was estimated not to exceed $2,838,442.

14. INTANGIBLE ASSETS

Consolidated	Intellectual Property $	Goodwill on consolidation* $	Licences $	Technegas Development $	Target $	Ultralute $	Total $
Balance at							
1 January 2019	54,512	865,273	750,646	723,098	27,419	2,149,396	4,570,344
Additions	344,101	-	-	65,490	-	269,504	679,095
Transfers	-	-	-	-	-	-	-
Amortisation	(18,981)	-	(85,109)	-	-	-	(104,090)
Balance at							
31 December 2019	**379,632**	**865,273**	**665,537**	**788,588**	**27,419**	**2,418,900**	**5,145,349**
31 December 2019							
Non-Current	379,632	865,273	665,537	788,588	27,419	2,418,900	5,145,349
Total	**379,632**	**865,273**	**665,537**	**788,588**	**27,419**	**2,418,900**	**5,145,349**
31 December 2018							
Non-Current	54,512	865,273	750,646	723,098	27,419	2,149,396	4,570,344
Total	**54,512**	**865,273**	**750,646**	**723,098**	**27,419**	**2,149,396**	**4,570,344**

* Goodwill on consolidation arising upon the acquisition of Inter Commerce Medical bvba on 1 October 2017 and Medicall Analys AB on 1 May 2018.

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 25.00% in 2019 (2018: 25.00%).

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

15. TRADE AND OTHER PAYABLES

	Notes	Consolidated 2019 $	Consolidated 2018 $
Current			
Trade payables, third parties	(i)	1,407,567	2,366,062
Other payables and accruals	(ii)	1,224,795	1,233,403
Total current trade and other payables		**2,632,362**	**3,599,465**
Non-current			
Other payables and accruals		-	336,864
Total Non-current trade and other payables		**-**	**336,864**
Total trade and other payables		**2,632,362**	**3,936,329**

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 23 Related Party Disclosures.

16. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2019 $	Consolidated 2018 $
Current		
Bank loan - secured (b)	-	58,985
Interest bearing loans and borrowings (current)	**-**	**58,985**
Total interest bearing loans and borrowings	**-**	**58,985**

16. INTEREST BEARING LOANS AND BORROWINGS (continued)

(a) Financing facilities available:

	Notes	Consolidated 2019 $	Consolidated 2018 $
Total facilities available:			
- secured bank loans, third party		-	58,985
		-	**58,985**
Facilities used at reporting date:			
- secured bank loans, third party	16	-	58,985
		-	**58,985**
Total facilities		-	58,985
Facilities used at reporting date:		-	(58,985)
Facilities unused at reporting date:		**-**	**-**

(b) Secured Bank Loans

Cyclopharm's wholly owned subsidiary, Inter Commerce Medical bvba ("ICM")'s loan provided by Bank Nagelmackers nv has been fully repaid in December 2019. The facility is secured by bank deposits held by the vendor of ICM.

17. LEASE LIABILITIES

	Consolidated 2019 $	Consolidated 2018 $
Current		
Lease liabilty	172,582	61,592
Lease liability (current)	**172,582**	**61,592**
Non-current		
Lease liabilty	4,749,883	-
Interest bearing loans and borrowings (non-current)	**4,749,883**	**-**
Total interest bearing loans and borrowings	**4,922,465**	**61,592**

18. PROVISIONS

	Consolidated		
	Employee Entitlements	Make good	Total
Consolidated	$	$	$
Balance at			
1 January 2019	**869,779**	**286,347**	**1,156,126**
Arising during the year	-	-	-
Utilised	(194,502)	-	(194,502)
AASB16 adjustmnet	-	(286,347)	(286,347)
Balance at			
31 December 2019	**675,277**	**-**	**675,277**
31 December 2019			
Current	652,254	-	652,254
Non-Current	23,023	-	23,023
Total	**675,277**	**-**	**675,277**
Number of employees			
Number of employees at year end	37		
31 December 2018			
Current	855,517	-	855,517
Non-Current	14,262	286,347	300,609
Total	**869,779**	**286,347**	**1,156,126**
Number of employees			
Number of employees at year end	32		

19. DEFERRED INCOME LIABILITIES

	Consolidated	
	2019	2018
	$	$
Deferred income liabilities	**793,868**	**663,559**

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

Notes
Continued

20. CONTRIBUTED EQUITY

		Consolidated			
	Notes	2019 Number	2018 Number	2019 $	2018 $
Issued and paid up capital					
Ordinary shares	(a)	78,238,398	68,698,873	36,909,161	27,238,193
Other contributed equity	(b)	-	-	(5,333,158)	(5,333,158)
Total issued and paid up capital		**78,238,398**	**68,698,873**	**31,576,003**	**21,905,035**
(a) Ordinary shares					
Balance at the beginning of the period		68,698,873	68,254,316	27,238,193	26,884,885
Issue of Long Term Incentive Plan shares	(i)	739,525	500,000	-	-
Issue of shares to settle obligations under put option	(ii)	300,000		309,000	
Issue of shares via institutional placement	(iii)	8,500,000	-	9,775,000	-
Share issue cost (net of tax)	(iii)	-	-	(413,032)	-
Cancellation of expired Long Term Incentive Plan shares	(iv)	-	(55,443)	-	-
Settlement of loan for Long Term Incentive Plan shares	(v)	-	-	-	353,308
Balance at end of period		**78,238,398**	**68,698,873**	**36,909,161**	**27,238,193**
(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) 539,525 LTIP shares were issued on 11 December 2019, 200,000 LTIP shares were issued on 30 May 2019 and 500,000 LTIP shares were issued on 2 July 2018 as set out in Note 26.
(ii) On 18 December 2019, 300,000 ordinary shares were issued in exchange for the termination of a put option to a shareholder of MMI as set out in Note 13(b).
(iii) On 24 December 2019, 8,500,000 ordinary shares were issued at a price of $1.15 per new share in connection with an institutional share placement.
(iv) 55,443 expired LTIP shares were cancelled on 8 October 2018.
(iv) Proceeds from settlement of loan to acquire LTIP shares.

20. 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 at 31 December 2019.

		Consolidated	
		2019	2018
	Notes	$	$
Total interest bearing loans and borrowings		20,723	120,577
Less: cash and cash equivalents	8	(12,660,323)	(5,854,959)
Net interest bearing loans and borrowings / (cash)		**(12,639,600)**	**(5,734,382)**
Total equity		23,203,945	17,015,969
Gearing ratio		0.1%	0.7%

Dividends

During the current financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2019 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2018. During the 2018 financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2018 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2017.

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 2019.

	Consolidated			
	2019	2018	2019	2018
	Cents per share	Cents per share	$	$
Fully paid ordinary shares				
Final dividend in respect of the previous financial year				
- No franking credits attached	0.50	0.50	330,250	321,653
Interim dividend in respect of the current financial year				
- No franking credits attached	0.50	0.50	330,251	329,819
	1.00	**1.00**	**660,501**	**651,472**

21. 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 low 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 2019, 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	
	2019	2018
	$	$
Judgements of reasonably possible movements:		
(Loss) / Profit before income tax		
+1.0% (100 basis points)	126,396	57,960
-0.5% (50 basis points)	(63,198)	(28,980)

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

Notes
Continued

21. 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 2019		Weighted average interest rate %	Non interest bearing	Floating interest rate	Fixed interest maturing in			Total
					1 year or less	1 to 5 years	More than 5 years	
			$	$	$	$	$	$
FINANCIAL ASSETS								
Cash and cash equivalents	8	0.35%	-	12,660,323	-	-	-	12,660,323
Trade and other receivables	9	n/a	3,979,595	-	-	-	-	3,979,595
Total financial assets			**3,979,595**	**12,660,323**	**-**	**-**	**-**	**16,639,918**
FINANCIAL LIABILITIES								
Trade payables, third parties	15	n/a	2,632,362	-	-	-	-	2,632,362
Leases, third party	17	4.50%	-	-	172,582	697,016	4,052,867	4,922,465
Secured bank loans, third party	16	4.30%	-	-	-	-	-	-
Total financial liabilities			**2,632,362**	**-**	**172,582**	**697,016**	**4,052,867**	**7,554,827**
Net exposure			**1,347,233**	**12,660,323**	**(172,582)**	**(697,016)**	**(4,052,867)**	**9,085,091**

Consolidated Year ended 31 December 2018		Weighted average interest rate %	Non interest bearing	Floating interest rate	Fixed interest maturing in			Total
					1 year or less	1 to 5 years	More than 5 years	
			$	$	$	$	$	$
FINANCIAL ASSETS								
Cash and cash equivalents	8	2.20%	-	5,854,959	-	-	-	5,854,959
Trade and other receivables	9	n/a	6,247,065	-	-	-	-	6,247,065
Total financial assets			**6,247,065**	**5,854,959**	**-**	**-**	**-**	**12,102,024**
FINANCIAL LIABILITIES								
Trade payables, third parties	15	n/a	3,936,329	-	-	-	-	3,936,329
Leases, third party	17	0.50%	-	-	61,592	-	-	61,592
Secured bank loans, third party	16	4.30%	-	-	58,985	-	-	58,985
Total financial liabilities			**3,936,329**	**-**	**120,577**	**-**	**-**	**4,056,906**
Net exposure			**2,310,736**	**5,854,959**	**(120,577)**	**-**	**-**	**8,045,118**

21. 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. At 31 December 2019, 100% (2018: 100%) of the Group's debt is due to mature in less than one year.

Refer to the table above with the heading 21 (a) Interest Rate Risk, which reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as investments in working capital e.g. inventories and trade receivables and investment in property, plant and equipment. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Board and management monitor the Group's expected settlement of financial assets and liabilities on an ongoing basis.

The Group monitors the rolling forecast of liquidity reserves based on expected cash flow. At balance date the Group has no unused credit facilities (2018: $nil).

Consolidated Year ended		Less than 6 months	6 months to 1 year	1 year to 5 years	Greater than 5 years	Total
31 December 2019	**Note**	**$**	**$**	**$**	**$**	**$**
Trade payables, third parties	15	2,632,362	-	-	-	2,632,362
Leases, third party	17	86,485	86,097	697,017	4,052,866	4,922,465
Secured bank loans, third party	16	-	-	-	-	-
		2,718,847	86,097	697,017	4,052,866	7,554,827
31 December 2018						
Trade payables, third parties	15	3,262,601	336,864	336,864	-	3,936,329
Leases, third party	17	30,796	30,796	-	-	61,592
Secured bank loans, third party	16	29,493	29,492	-	-	58,985
		3,322,890	397,152	336,864	-	4,056,906

(d) Commodity price risk

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk

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

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 83% (2018: 78%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 54% (2018: 60%) of costs are denominated in the unit's functional currency.

At 31 December 2019, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated		
	2019	2018	
	$	$	
United States dollars			
Amounts payable	594,663	4,628,580	*
Amounts receivable	109,299	19,339	
Euros			
Amounts payable	191,107	303,270	
Amounts receivable	2,132,103	2,156,252	
Canadian dollars			
Amounts payable	-	10,596	
Amounts receivable	562,159	301,079	
Swedish Kroners			
Amounts payable	67,161	80,411	
Amounts receivable	391,166	571,480	
Japanese Yen			
Amounts payable	10,033	13,821	
Amounts receivable	3,056	1,657	
Net exposure	**(2,010,814)**	**2,477,940**	

* includes forward exchange contract commitment.

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk (continued)

Forward Exchange Contracts

The Company has not entered into foreign exchange forward contracts as at 31 December 2019. During the previous year, the Company was party to a foreign exchange forward contract which was taken out as protection against possible future falls in the value of the Australian dollar against the US Dollar.

Fair values

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

Foreign currency sensitivity

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

Cyclopharm is most exposed to European Euro (Euro), Canadian Dollar (CAD), US Dollar (USD) and Swedish Kroner (SEK) 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.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk (continued)

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

	Consolidated	
	Increase in AUD of 10%	Decrease in AUD of 10%
	$	$
Euro		
31 December 2019		
Net (loss) / profit	(171,487)	188,636
Equity (decrease) / increase	(171,487)	188,636
31 December 2018		
Net (loss) / profit	(168,453)	185,298
Equity (decrease) / increase	(168,453)	185,298
CAD		
31 December 2019		
Net (loss) / profit	(51,105)	56,216
Equity (decrease) / increase	(51,105)	56,216
31 December 2018		
Net (loss) / profit	(26,408)	29,048
Equity (decrease) / increase	(26,408)	29,048
USD		
31 December 2019		
Net profit / (loss)	44,124	(48,536)
Equity increase / (decrease)	44,124	(48,536)
31 December 2018		
Net (loss) / profit	419,022	(460,924)
Equity (decrease) / increase	419,022	(460,924)
SEK		
31 December 2019		
Net (loss) / profit	(29,455)	32,401
Equity (decrease) / increase	(29,455)	32,401
31 December 2018		
Net (loss) / profit	(44,643)	49,107
Equity (decrease) / increase	(44,643)	49,107

22. COMMITMENTS & CONTINGENCIES

(a) Capital commitments

There were no capital commitments as at the date of this report (2018: $nil).

(b) Contingent liabilities

There were no contingent liabilities as at the date of this report (2018: $2,838,442). In December 2019, Cyclopharm issued 300,000 ordinary shares in exchange for the termination of a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI"). The cost had the put option been exercised at 31 December 2018 was estimated not to exceed $2,838,442.

23. 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 9 Trade and Other Receivables, Note 15 Trade and Other Payables and Note 16 Interest Bearing Loans and Borrowings):

CONSOLIDATED		Sales to related parties $	Purchases from related parties $	Amounts owed by/ (to) related parties $	Provision for doubtful debts on Amounts owed by related parties $
Cell Structures Pty Ltd	*2019*	-	51,935	(28,611)	-
	2018	-	51,000	(28,050)	-
Macquarie Medical Imaging	*2019*	-	-	-	-
	2018	-	-	230,782	230,782

Ultimate parent entity

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

23. RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties

- During the year, payments of $51,935 (2018: $51,000) were made to Cell Structures Pty Ltd (an entity controlled by Director, Mr. Tom McDonald). All payments relate to Mr. McDonald's role as a non-executive director including consultancy services provided by him.
- 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 Pty Ltd. As the trade debtor balance of $230,782 as at 31 December 2018 was not expected to be repaid in the short term, it was included as an interest in the associate and a share of the associate's losses had been recognised under the equity method in the 2014 financial year. This amount has been written off as unrecoverable upon MQ Health taking over the business operations of Macquarie Medical Imaging Pty Ltd from 7 December 2019. Refer to Note 13 for details of the investment in the associate.

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

23. RELATED PARTY DISCLOSURES (continued)

Controlled Entities

Name	Note	Country of Incorporation	Percentage of equity interest held	
			2019	2018
Cyclopharm Limited	1,2	Australia		
Controlled entities				
CycloPET Pty Ltd	2	Australia		100%
Cyclomedica Australia Pty Limited	2	Australia	100%	100%
Cyclomedica Ireland Limited	3	Ireland	100%	100%
Cyclomedica Europe Limited	3	Ireland	100%	100%
Inter Commerce Medical bvba	4	Belgium	100%	100%
Medicall Analys AB	5	Sweden	100%	100%
Cyclomedica Germany GmbH	6	Germany	100%	100%
Cyclomedica Canada Limited	7	Canada	100%	100%
Cyclomedica USA LLC	8	United States of America	100%	0%
Cyclomedica UK Ltd	9	United Kingdom	100%	0%

Notes

1. Cyclopharm Limited is the ultimate parent entity in the wholly owned group.
2. Audited by Nexia Sydney Audit Pty Ltd, Australia.
3. Audited by Andrew P.Quinn & Associates Limited, Republic of Ireland.
4. Audited by HLB Dodemont - Van Impe, Belgium, acquired on 1 October 2017.
5. Audited by Nexia Revision, Stockholm, Sweden, acquired on 1 May 2018.
6. Audited by Bilanzia GmbH Wirtschaftsprufungsgesellschaft, Germany.
7. Audited by Schwartz Levitsky & Feldman LLP, Toronto, Canada.
8. Dormant
9. Dormant

24. EVENTS AFTER THE BALANCE DATE

FINAL DIVIDEND

On 26 February 2020, the Directors declared a final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2019, payable on 7 April 2020.

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.

25. AUDITORS' REMUNERATION

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

	Consolidated	
	2019	2018
	$	$
Amounts received or due and receivable by the auditor of the parent entity and associated entities for:		
Audit and review of the financial statements	164,016	140,052
Other services:		
- tax compliance	15,448	10,901
- share registry	38,784	28,618
	218,248	**179,571**
Amounts received or due and receivable by other audit firms for:		
Audit of the financial statements of controlled entities	127,704	108,501
Other services	94,471	66,440
	222,175	**174,941**

26. 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	
	2019	2018
	$	$
Expense arising from equity-settled share-based payment transactions (note 5)	378,368	37,967

The share-based payment reserve at 31 December 2019 was $1,041,373 (2018: $663,005).

(b) Share-based payment other than implied options

i) During the year, the Company issued shares to settle a contingent liability in relation to Macquarie Medical Imaging Pty Limited ("MMI") as set out in Note 13 (b), and

ii) During the year, the Company issued 269,911 LTIP shares to the Managing Director for nil consideration. These shares are freely traded on and from the date of issue as approved by shareholders on 21 May 2019.

26. SHARE BASED PAYMENT PLANS (continued)

(c) 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 other than an amendment to allow allotment or transfer of Plan shares to an entity wholly owned and controlled by the participant. The amendment was approved by members at the Annual General Meeting held on 26 May 2015. An updated Plan was approved by members at the Annual General Meeting held on 29 May 2018.

Shares

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

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

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

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

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

LTIP Shares issued

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

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.

26. SHARE BASED PAYMENT PLANS (continued)

(d) Summary of Options and Implied Options granted

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

		Consolidated 2019 Number	Consolidated 2018 Number	Weighted Average Exercise Price 2019 $	Weighted Average Exercise Price 2018 $
Balance at the beginning of the year		725,000	363,000	1.35	1.01
Granted during the year		669,614	500,000	0.45	1.55
Vested but unexercised during the year	(i)	-	(138,000)	-	1.20
Balance at the end of the year		**1,394,614**	**725,000**	**0.92**	**1.35**
Vested but unexercised at the end of the year		1,923,962	1,923,962		

(i) No LTIP shares (2018: 138,000) vested during the year.

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

The weighted average exercise price for Options at the end of the year was $0.92 (2018: $1.35). The weighted average remaining contractual life for the Options outstanding as at 31 December 2019 is 3.93 years (2018: 2.13 years). The weighted average fair value of Options granted during the year was $0.98 (2018: $0.153).

(f) Option pricing models

The following assumptions were used to derive a value for the 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 Option	**$0.00**	**$1.50**	**$0.00**
Number of recipients	1	2	1
Number of Options	200,000	200,000	269,614
Grant Date	27/05/19	30/05/19	11/12/19
Dividend yield	-	-	-
Expected annual volatility	42.99%	42.99%	42.99%
Risk-free interest rate	1.23%	1.23%	0.80%
Expected life of Option (years)	6.18 years	2 years	2.5 years
Fair value per Option	$1.431	$0.366	$1.065
Share price at grant date	$1.47	$1.49	$1.065
Model used	Expensed at market price at grant date over expected life of Option	Black Scholes	Expensed at market price at grant date over expected life of Option

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

27. PARENT ENTITY DISCLOSURE

	2019	2018
	$	$
(i) **Financial Position**		
Assets		
Current Assets	10,335,490	6,205,679
Non-current Assets	22,410,228	14,689,676
Total Assets	**32,745,718**	**20,895,355**
Liabilities		
Current Liabilities	180,645	560,499
Non-current Liabilities	10,469,275	8,856,700
Total Liabilities	**10,649,920**	**9,417,199**
Net assets	**22,095,798**	**11,478,156**
Equity		
Contributed equity	31,776,534	22,105,568
Employee equity benefits reserve	1,041,373	663,005
Accumulated Losses	(10,722,109)	(11,290,417)
Total Equity	**22,095,798**	**11,478,156**
(ii) **Financial Performance**		
Profit for the year	953,905	1,819,490
Other comprehensive income	-	-
Total Profit for the year	**953,905**	**1,819,490**

28. RESERVES

Nature and purpose of reserves:

(a) Employee equity benefits reserve

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

(b) Foreign currency Translation Reserve

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

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