Cyclopharm Limited

Annual Report 2014

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

Contents

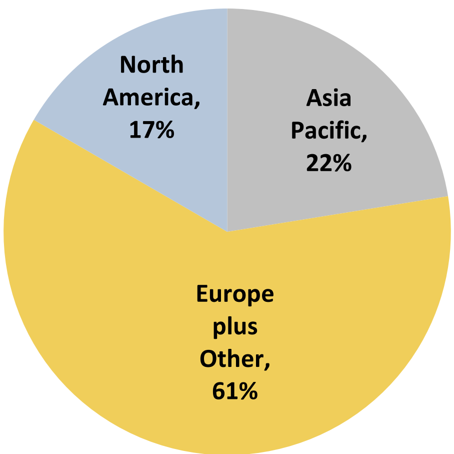
FINANCIAL HIGHLIGHTS

Full Year ending 31 December		2012	2013	2014	% Change
Sales Revenue	$'000	10,744	11,882	12,047	1.4%
(Loss) / Profit Before Tax	$'000	(1,332)	(10,265)	3,470	133.8%
(Loss) / Profit After Tax	$'000	(1,366)	(10,119)	4,066	140.2%
(Loss) / Earnings Per Share	cents	(1.12)	(17.56)	7.03	140.0%

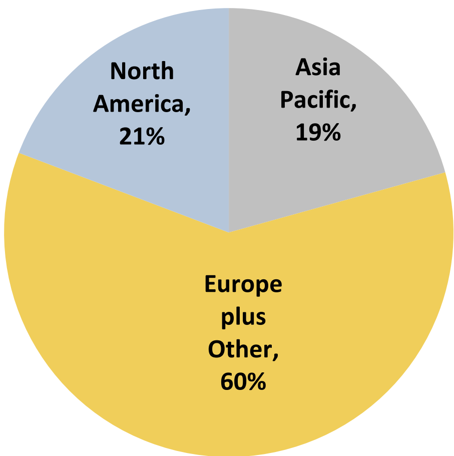
Sales Revenue for the Full Year ending 31 December		2012	2013	2014	% Change
Technegas Division	$'000	9,368	10,457	11,490	9.9%
Molecular Imaging Division	$'000	1,376	1,425	557	(60.9%)
Total Sales Revenue	$'000	10,744	11,882	12,047	1.4%

Net (Loss)/Profit Before Tax for the Full Year ending 31 December		2012	2013	2014	% Change
Technegas Division	$'000	785	1,530	1,913	25.0%
Molecular Imaging Division	$'000	(2,117)	(11,794)	1,557	113.20%
Total Net (Loss)/Profit Before Tax	$'000	(1,332)	(10,265)	3,470	133.80%

Sales by Region - 2013



Sales by Region - 2014



Chairman's Letter

31 March 2015

Dear Shareholders

I am pleased to be able to say that 2014 was an excellent year for Cyclopharm and arguably a watershed for its future growth prospects. Your company reported excellent sales and returned to profitability. Your company simplified and stabilised its operations and we believe established a strong base for delivering sustainable increases in shareholder value over the coming years.

The Group recorded Net Profit After Tax for the year of $4.07 million on sales of $12.05 million. The result was enhanced by the $2.65 million cash settlement we received from PetNet Australia/ANSTO as a result of the Cyclopet legal proceedings. These proceeds were received in August 2014.

During 2014, the company also achieved a number of milestones further detailed in the Managing Directors report pursuant to its stated strategy of:

• seeking strong organic sales growth in existing markets;

• entering new high growth markets; and

• identifying new applications for the use of the Company's products.

Cyclopharm (CYC) continues trading profitably, is cash flow positive and has interesting opportunities to significantly improve our financial performance. This follows a number of difficult decisions and is a result of the dedication and hard work by management in implementing our strategic business plan. We are now in a strong financial position to fund new growth opportunities and evaluate initiatives for returning greater value to shareholders. High on the agenda is the need to start regularly paying dividends to shareholders as part of our financial disciplines.

As announced to the ASX early last year, we took the difficult decision to cease the existing production and sale of Fluoro Deoxy Glucose (FDG) at our cyclotron facility in April 2014. This, following the conclusion of the Cyclopet litigation will allow the Company's management to focus fully on our expanding Technegas division, which continued to perform strongly during the 2014 year.

We are currently working to optimise value from the cyclotron asset we own at Macquarie University Hospital which could include potential divestment. We have also received a substantial recovery from our insurers as a result of a car catching on fire in the university hospital car park.

Technegas

Cyclopharm's pleasing financial result last year reflected continual improvement in the performance of the Technegas division. The division reported sales of $11.5 million, up 9.8% on the prior year, and Operating EBITDA of $2.2 million, compared to $1.8 million in 2013. This record result was driven by strong sales growth, particularly in the Canadian market, and margin expansion in major markets. Canada has rapidly now become the largest market for Technegas globally and we believe this accurately reflects the potential value of the US market for Technegas following expected FDA approval.

During the year, Cyclopharm continued to focus on managing its cost base to ensure the benefits of improved sales performance would flow through to higher profits. In this regard, operating expenses in the Technegas division were 5.3% lower than in the prior year.

The strong operating performance for the year and the settlement of the Cyclopet litigation resulted in Cyclopharm generating cash flows from operations of $4.47 million. This cash flow has enabled the company to fully repay its debt to the National Australia Bank, accelerate the process of

Chairman's Letter

Continued

bringing new patented technologies such as Ultralute^{TM} to market and fund the regulatory approval process to enter new markets, including pursuing approvals to sell Technegas products in the United States and Russia.

As investors in health care and life sciences companies would appreciate, obtaining FDA approval to enter the US market is time-consuming, uncertain, frustrating and remarkably expensive as shown by our twenty years of history on this objective. In late 2014 we took important steps to expedite the FDA approval process and we look forward to making further announcements regarding our progress in 2015. Obtaining FDA approval would significantly expand the Technegas business.

In 2014, we began trials in China for the use of Technegas in the diagnosis and treatment of chronic obstructive pulmonary disease (COPD). These trials are expected to conclude in the last quarter of 2015. Initial reports are encouraging.

During 2014, patents were secured for Cyclopharm's Ultralute^{TM} technology for extending the life of certain radiopharmaceuticals. The market's early enthusiasm for this innovative technology has been very encouraging and we look forward to reporting the first sales in Europe of Ultralute^{TM} in late 2015.

We expect 2015 will again be another excellent year of strong operational and financial performance by Cyclopharm. Continued growth in demand for Technegas products, the lower Australian dollar and further margin expansion are expected to underpin our financial results. Our balance sheet is strong and will be further bolstered by positive operating cash flows and any proceeds which could arise from a potential divestment of Cyclopet's facilities.

In combination, these factors ensure that Cyclopharm is well-placed to pursue markets' development for Technegas, to fund ongoing research and development, and when prudent, to consider capital management initiatives to deliver value to our shareholders.

Finally, I want to thank the Cyclopharm management team, led by Mr James McBrayer, for their outstanding work during the year and their dedication to growing the market for our products. On behalf of the Board, I thank shareholders for their loyalty and patience during recent years. We are very confident that Cyclopharm is now in a strong position to build on the successes of 2014 and achieve long term, sustainable growth in profits and shareholder value.

Yours faithfully,

Vanda Gould
Chairman

Managing Director's Review

Features

Dear Shareholders,

Your company made significant achievements in 2014 as it executed its strategy of focusing our operations on our core profitable activities; driving cash generative organic growth; entering high value markets with exciting products; and accelerating the progress of bringing new patented technologies to market.

These achievements have resulted in Cyclopharm reporting record Sales, EBITDA, and NPAT while establishing a platform for ongoing profitable and cash generative growth. The Company's reported NPAT for the year was $4,065,563 (vs a 2013 restated loss of $10,118,521) which is largely comprised of NPAT from the Technegas division of $2.38 million and net litigation proceeds of $2.19 million. This represents Earnings Per Share of 7.03 cents.

The Board expects that these pleasing results will enable it to consider, in the coming year, capital management initiatives or other financial measures to deliver ongoing returns to shareholders, while also investing in near term profitable growth opportunities.

Group Financial Performance

Key highlights of our financial results for the 2014 year included:

- Record sales of $12.05 million
- Record Technegas division Operating EBITDA[1] of $2.16 million
- Record NPAT of $4.07 million (vs 2013 loss of $10.12m) which is largely comprised of NPAT from the Technegas division of $2.38 million and net litigation proceeds of $2.19 million
- Technegas division operating expenses down 5.3% vs 2013
- Cashflow from operations of $4.47 million predominantly comprised of operating cash generated by the Technegas division of $4.05 million
- NAB debt fully repaid with net cash of $3.27 million recorded at year end.

The combined sales of the Company's key products, TechnegasPlus generators (Generators) and Patient Administration Sets (PAS), was $11.49 million. This was 10.0% higher than in 2013, assisted by an increase in sales of Generators in North America, local price increases and favourable foreign exchange impacts. PAS sales remain the major source of revenue for the Technegas division, comprising 82% of revenue in 2014. The Molecular Imaging business operating as Cyclopet contributed revenues of $556,607 in the four months of the year prior to ceasing the existing production and sale of FDG at our cyclotron facility in April 2014.

Technegas division sales contributed 95% (2013: 88%) of group sales for the 2014 financial year. The following table outlines the group's consolidated performance on a comparative financial year basis:

Full Year ended 31 December	Restated 2013	2014
	$'000	$'000
Net (Loss) / Profit Before Tax	(10,265)	3,470
Add back: MMI (share) / reversal of loss of associate	263	(60)
Add back: Impairment charge - Molecular Imaging property, plant and equipment	8,860	-
Add back: Molecular Imaging Division - other income	-	(2,895)
Add back: Molecular Imaging Division operating loss	2,672	1,397
Technegas Division Net Profit Before Tax	1,530	1,912

[1] Operating EBITDA = Reported Earnings before Interest, Tax and Depreciation and Amortisation.

Despite increasing year-on-year revenue by 10%, Technegas' operating expenses were in line with the prior year at $5.33 million as a result of our ongoing cost containment measures. Consequently, operating expenditure as a percentage of sales decreased to 46.1% in 2014 from 51.4% in 2013.

Cashflow from operations of $4.47 million predominantly comprised of operating cash generated by the Technegas division of $4.05 million and the receipt of Cyclopet settlement proceeds enabled the company to fully repay all outstanding NAB debt and finish the year with a net cash balance of $3.27 million.

Group Operating Performance

During the financial year, Cyclopharm's core operations performed strongly and issues that previously impeded our progress have now been addressed. In this regard, operating highlights for the year include:

- Final settlement of the Cyclopet dispute with ANSTO / Petnet Australia resulting in payment of $2.65 million to Cyclopharm
- Strong growth in international sales of Technegas with Canada now representing our no.1 market
- Start of Technegas COPD trials in China
- Progress in obtaining FDA approval for Technegas in the US market
- Secured IP protection for Cyclopharm's high value Ultralute technology
- Cashflow from operations of $4.47 million predominantly comprised of operating cash generated by the Technegas division of $4.05 million
- NPAT of $4.07 million which is largely comprised of NPAT from the Technegas division of $2.38 million and net litigation proceeds of $2.19 million.

Sales volumes and gross margins from our Technegas business grew strongly over the year, driven by expansion of our presence in the Canadian market and higher margins in all markets. Local prices of generators increased by between 15% and 18% in Europe (EUR) and Asia (AUD), PAS prices in Asia increased substantially as a result of management's decision to alter the distribution channel in key Asian markets in favour of agency agreements. Latin America despite representing a modest overall percentage of revenue, PAS pricing increased 12% during 2014. The overall improvement in margins were further assisted by favorable foreign exchange movements and stable operating costs.

Our progress in expanding Technegas into new markets and for new diagnostic purposes took significant steps forward in 2014. The Company began trials in China for the use of Technegas in the diagnosis and management of chronic obstructive pulmonary disease. These trials are expected to be completed in the last quarter of 2015. Cyclopharm also continues to make important progress on the path to obtaining FDA approval to sell Technegas in the US market. FDA clinical trials are expected to be completed early 2016 and the Company is actively considering ways to accelerate entry into that market.

The Group's profit before tax of $3.47 million was enhanced by the $2.65 million settlement proceeds received from the successful Cyclopet mediation in late August 2014. A substantial portion of the settlement proceeds was applied to retire the group's outstanding bank loan of $1.5 million.

Once operational, we expect to continue to utilise the Cyclotron facility at Macquarie University Hospital to progress not only some of the company's research and development activities but also a select commercially viable range of radiopharmaceuticals until we determine the longer-term future of the facility, which could result in the sale of the asset.

The Company is moving towards commercial production of our Ultralute™ technology and expects to commence sales to Europe in the fourth quarter of 2015. We are excited about its potential to form the basis of the Group's next stage of growth.

Summary

2014 represented a significant turning point for Cyclopharm. Our business is focussed, more profitable and our balance sheet is strong.

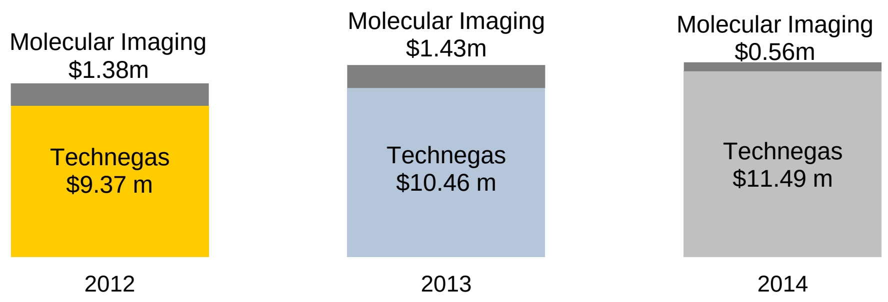
The Company's core Technegas business reported record sales and profit and, we expect we will further improve our foundation product's operational and financial performance in 2015. In 2014 we made significant progress towards entering new markets, such as Russia, China, Japan, and the USA and expanding the use of Technegas to new diagnostic purposes. Going forward, further expansion of international sales of Technegas and the market launch of Ultralute™ provide the opportunity to further improve our financial performance.

With resolution of the Cyclopet dispute with ANSTO / Petnet Australia, our financial position is strong. The Board expects our cash balance will be further bolstered by growing consolidated cash flows from operations and any proceeds from a divestment of our cyclotron facilities. This improved cash position would provide the opportunity to consider alternatives to best distribute value to shareholders and fund further growth initiatives.

I look forward to updating you further during the year as the business gains momentum in delivering on our tangible growth objectives.

Segment Review

Group Revenue by Segment



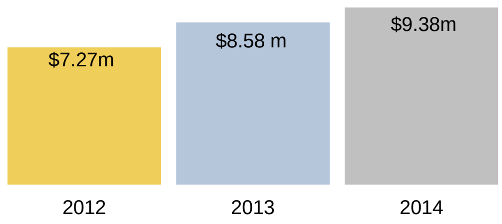
Group Revenue by segment

TECHNEGAS

Technegas is a lung imaging device used primarily to diagnose the presence of blood clots in the lungs known as Pulmonary Emboli (PE). For the last 27 years, over 3,000,000 patients have benefited from the Technegas system. Technegas lung imaging is an alternative to Computed Tomography Pulmonary Angiogram ("CTPA") that avoids numerous contraindications attributed to CTPA and addresses the concerns relating to the high levels of radiation exposure resulting from a CTPA exam. Technegas's continued growth in sales demonstrates its ongoing relevance to the medical industry and provides the Company with secure and growing sales and cash flows.

Revenue Composition

Sales revenue of $11.49 million from the segment's key products, PAS and Generators, grew by 10% over the preceding year (2013: $10.46 million). Gross profit margins as a percentage of sales increased from 75% to 77% in 2014.



Group, PAS Revenue

Revenue from PAS and its consumables represented 82% of the segment's revenue in 2014 and was 9% higher at $9.38 million in 2014 compared to 2013 ($8.58 million) due to increased PAS prices in Asia and Latin America and favourable foreign exchange movements. PAS prices increased by 74% in Asia and 12% in Latin America. Volumes remained relatively stable at 189,200 units (2013: 192,550 units). There was a favourable 7% change in the value of the Euro to Australian Dollar.

Group, Technegas and Other

Technegas Generator sales and other revenue was $2.12 million for the year, up 12.4% on the prior year (2013: $1.87 million). The increase was a result of higher unit sales than the prior year (up 46% to 51 units) and price increases in Germany, Europe and Asia. This was partly offset by a fall in service revenue to $0.70 million (2013: $1.04 million). An additional 11 generators were sold in North America and 5 additional generators sold in France compared to the prior period.

Regional Review

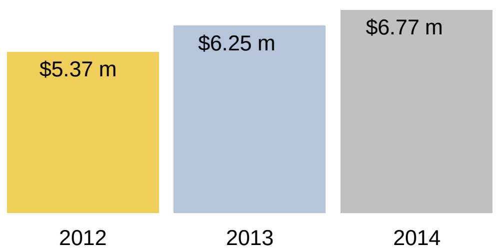
Application to sell Technegas in the USA

Cyclopharm announced to the Australian Securities Exchange in November 2012 that the Technegas Clinical trial required for market entry into the United States had commenced at New York's Presbyterian/Columbia University Medical Center. A total of 750 patients were required for the study. Despite screening numerous patients and modifying the enrolment requirements last year, fewer than 30 patients were imaged. To address the low patient recruitment issue, Cyclopharm met with the FDA in September 2014 to propose significant modification to the clinical trial program which, if accepted, should result in a simplified study that will ultimately allow for an expedited and less costly path to market approval.

The Company remains confident that its application for market entry into the United States will ultimately be successful. As the USA represents a major growth opportunity, the Directors are determined to continue to drive hard for FDA approval but will ensure we do so cautiously and prudently.

Going forward, the Directors advise that further expenditure on the FDA trials will be expensed until FDA approval is achieved, notwithstanding the confidence of the Directors that such approval will ultimately be given.

Europe



Europe, Total Revenue

Approximately 60% of sales revenue is derived in Europe (2013: 61%). Overall sales revenue was 8% higher at $6.77m (2013: $6.25m). Generator sales were higher with 24 sold in 2014 compared with 20 in the prior year. 2,089 PAS boxes were sold in Europe in 2014, 3% fewer than 2013 (2,161 PAS boxes). Sales revenue was positively impacted by an increase in local prices of generators and an approximate 7% movement in the Australian dollar relative to the Euro.

Managing Director's Review
Continued

North America – Canada

North America, Total Revenue

12 generators (2013: 1) and 838 PAS boxes (2013: 800) were sold in Canada in 2014. The improvement in PAS sales in this region represents the 11th consecutive year of growth. On a country basis, Canada has overtaken France as the largest Technegas market globally. Canada recorded total revenue of $2.21 million in 2014 (2013: $1.74 million). The Directors are very pleased with the success of Technegas in Canada and are confident this is a strong indicator for anticipated take up rates in the United States following approval to sell Technegas in that market.

Asia Pacific

Asia Pacific, Total Revenue

Revenues in the Asia Pacific region grew by 2% in 2014. In Australia, where Technegas enjoys a very high market share, revenues fell by 2% as a result of two fewer generator sales in 2014 (8 units) compared to 2013 (10 units). This was partly offset by a 3% increase in PAS boxes sold in 2014 (646 PAS boxes) compared to 2013 (627 PAS boxes). In Asia, sales revenue increased by 33%, substantially due to the price increase in China from US$500 to A$1,680 per set following the change in our business model from distributorship to agency. Approval from the Japanese regulatory authorities for the TechnegasPlus Generator was received in October 2013 and we expect strong sales growth in Japan in the near future.

New Indication for Technegas

We continue to develop new diagnostic purposes for Technegas. Other disease states beyond pulmonary embolism, including Chronic Obstructive Pulmonary Disease ("COPD") and Lung Cancer have significant market potential for Technegas and are being targeted through clinical studies now underway.

In May 2013 we were delighted to announce we had initiated a pilot clinical trial in China, targeting the use of Technegas for the diagnosis of COPD.

The start of this trial coincided with the results of a study published in the North American Journal of Nuclear Medicine by Canadian researchers from McMaster University and the Firestone Institute for Respiratory Health, which demonstrated that Technegas detected changes in lung ventilation and perfusion before structural changes in the lungs were detected by CT scans. Furthermore, a recent study published in the January 2015 Annals of Nuclear Medicine from researchers at Skane University Hospital and Lund University found that ventilation scans with Technegas can detect ventilatory impairment and airway obstruction even in apparently healthy long-term smokers not shown with spirometry or CT scans. Stated simply, Technegas has the potential to be used not only for early diagnosis of COPD but also on a recurrent basis for COPD management. The opportunity presented by these discoveries may lead to a significant expansion of the use of Technegas globally. The COPD diagnosis market is 15 to 20 times larger than the market in which Technegas is currently predominantly used. In Australia, 1 in 5 Australians can expect to suffer from COPD in their lifetime and in China it has been estimated that there will be 65 million deaths from COPD and 18 million deaths from lung cancer between 2003 and 2033. We hope Technegas will be able to assist in reducing that toll.

Site initiation at five hospitals in China was completed in February 2014 and patient recruitment is in progress. A preliminary report is expected in the second quarter of 2015 with a final report to be published in the fourth quarter of 2015. We look forward to providing you updates as they become available.

ULTRALUTE™

Almost 2 years since the development project commenced we were delighted to announce in April 2013 the development and patenting of a new Nuclear Medicine technology – Ultralute™.

Cyclopharm finalised the design of the Ultralute™ technology in 2014 following extensive testing and prototype designs which provided exceptional results. The Company is now moving towards commercial production with sales in Europe expected to commence in Q4 2015.

Cyclopharm's Ultralute™ technology extends the useful life of Mollybdenum-99 (Mo-99) generators, which have a half-life of around 2.75 days, by up to 50%. Mo-99 generators are used to harvest Technetium-99m or Tc-99m, which accounts for approximately 80% of all nuclear medicine diagnostic imaging procedures.

Global industry interest in our Ultralute™ technology is strong and continues to accelerate. The Company is therefore very excited by the commercial prospects for Ultralute™ and is confident it provides Cyclopharm with the basis for outstanding shareholder returns.

JOINT VENTURE - MACQUARIE MEDICAL IMAGING

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

Growth in MMI is tied closely to the hospital's ramp-up. Sales revenue continues to increase as initiatives being implemented at MUH, including a new breast cancer clinic and expanded specialties such as cardiothoracic services, cancer care services and expanded PET indications take effect.

The joint venture is accounted for on an equity basis due to Cyclopharm's minority shareholding. As a result, MMI's full accounts are not consolidated into our accounts. During the year, Cyclopet Pty Ltd received a repayment of $60,000 which it had loaned to Macquarie Medical Imaging in 2013. A share of the associate's losses had been recognised under the equity method in 2013 as it was not expected to be repaid in the short term. The share of the associate's losses has been reversed during the current year in view of the amount received.

MOLECULAR IMAGING TRADING AS CYCLOPET

As we announced in April 2014, the Directors decided to cease the existing production and sale of FDG at our cyclotron facility which is located at Macquarie University Hospital. Cyclopet's market had been adversely impacted for a number of years by the anti-competitive activity of Government owned enterprises. Despite receiving a favourable finding supporting our claims by the Productivity Commission in 2012, the company found it necessary to commence legal proceedings in the Federal Court against Petnet Australia, the wholly owned subsidiary of Australian Nuclear Science and Technology Organisation (ANSTO). Despite legal proceedings afoot, in the Directors' opinion, there was little prospect for improved market conditions in the short term and it was in the best interest of shareholders that Cyclopet's operations cease.

Notwithstanding this decision, the Cyclotron facility had recorded sales growth during its final 4 months of operations, with the number of Fluoro Deoxy Glucose (FDG) patient doses sold improving by 12% from 1,860 doses (in the year to April 2013) to 2,077 doses (year to April 2014). The division's 2014 underlying operating loss before tax and finance costs was $1.40 million.

On 26 August 2014 Cyclopharm announced to the ASX that after a successful mediation, Petnet Australia and ANSTO had agreed to settle the legal proceedings we had initiated against them. These parties have paid $2.65 million to Cyclopet and those legal proceedings have been discontinued.

In addition to the settlement, we announced on 20 June 2014 that substantial water damage occurred to our cyclotron facility following attempts by the authorities to extinguish a fire in the carpark on the floor above the facility. The cyclotron facility was fully insured and on 16 September 2014 we announced that the insurer, QBE accepted liability for the costs to fully reinstate our cleanrooms and laboratory facilities. Work is currently in progress and the facilities are expected to be fully reinstated early 2016.

Once operational, we expect to continue to utilise the Cyclotron facility at Macquarie University Hospital to progress not only some of the company's research and development activities but also a select commercially viable range of radiopharmaceuticals until we determine the longer-term future of the facility, which could result in the sale of the asset.

OUTLOOK

In 2014 Cyclopharm became a much simpler and more profitable Company, as evidenced by our impressive current record year operating results. The Company is now in a significantly stronger position to realise the potential of our highly profitable and cash-generating Technegas business in international markets and to continue the development of our patented Ultralute™ technology.

In 2015 we expect consistent growth in Technegas revenues from continued strong performance in Canada and targeted marketing in Europe and Asia. Simultaneously, we will actively pursue the regulatory approvals required to commence sales in Russia.

In late 2015 we expect to begin commercial production of the Ultralute™ technology. During the year we will also continue to progress discussions with potential commercial partners for this technology.

The opportunities for developing additional diagnostic purposes for Technegas to include COPD will be a key priority for the company. If successful, the potential to expand Technegas's revenue and profitability over the medium to longer term is significant.

We look forward to introducing Technegas to the United States market following successful completion of our Phase 3 clinical trial and subsequent approval by the FDA. We met with the FDA in September 2014 to discuss an alternative clinical trial methodology that, if agreed, would provide us with a less complicated and less costly pathway to FDA approval. I look forward to updating shareholders following the outcome of our FDA discussions.

The Directors maintain their view that FDA approval to sell Technegas into the USA market provides Cyclopharm with the opportunity to significantly expand its sales and profitability. However, we wish to highlight that as expenditure incurred in relation to the FDA trials will be expensed rather than capitalised, Cyclopharm's results will be adversely impacted when clinical trials ramp up in 2015. The Directors are currently evaluating options to fund the FDA trials.

This past year represents a fundamental change of fortunes for Cyclopharm. With the support of shareholders, over the past few years the company's management team has addressed the roadblocks that impacted our profitability, repositioned our core operations in growth markets, and accelerated the development and launch of exciting new high value products. These results of efforts are now becoming evident in our operations and cash flows. Over the coming years, the Directors anticipate Cyclopharm will continue to report further outstanding results for its base business which will place the Company in a sound position to deliver growing financial rewards to our shareholders.

James S McBrayer

James McBrayer
Managing Director and CEO

Directors' Report

The Directors of Cyclopharm submit their report for the year ended 31 December 2014.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Mr V R Gould – Non Executive Chairman (Independent)
M Com, FCA, FCPA, B Com
Mr Gould has been a member of the Board since 21 November 2005. He was the Group Non-Executive Chairman and Chairman of the Audit, Board Nominations, and Remuneration Committees of the Group until his voluntary redesignation on 23 October 2013. Mr Gould was reinstated as Chairman on 15 May 2014.

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

Mr Gould lives in Sydney and is 66 years old.

Mr D J Heaney – Non Executive Director (Independent)
Mr Heaney was appointed to the Cyclopharm Board on 20 November 2007. Mr Heaney currently serves as a member of the Audit, Remuneration and Board Nominations Committees and was appointed Acting Chairman from 23 October 2013 to 15 May 2014 during Mr Gould's voluntary redesignation.

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

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

Mr Heaney lives in Melbourne and is 70 years old.

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

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

Mr McBrayer lives in Sydney and is 49 years old.

DIRECTORS (CONTINUED)

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

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

Mr Townsing lives in Melbourne and is 59 years old.

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

Interests in the shares of the Company and related bodies corporate

The number of ordinary Cyclopharm shares (no options are on issue) held directly, indirectly or beneficially, by Directors, including their personally-related entities as at the date of this report is as follows:

	Interest	As at 31 December 2013	Granted under long term incentive schemes	Lapsed under long term incentive schemes	On market purchases	On market sales	As at the date of this report
		No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Directors							
Mr VR Gould	NBI	2,178,895	-	-	124,674	(2,270)	2,301,299
Mr DJ Heaney	BI	85,872	-	-	-	-	85,872
Mr JS McBrayer	BI	1,373,294	1,723,456	(1,341,476)	-	-	1,755,274
Mr JS McBrayer	NBI	60,000	-	-	-	-	60,000
Mr H Townsing	NBI	229,786	-	-	-	-	229,786
		3,927,847	1,723,456	(1,341,476)	124,674	(2,270)	4,432,231

NBI: Non beneficial interests
BI: Beneficial interest

The details in respect of the Directors set out above are based on the disclosure made by them to the Company (and in turn given by the Company to the ASX as their agent). On 19 December 2014, Mr Justice Perram delivered his judgement in the case of *Hua Wang Bank Berhad v Commissioner of Taxation* [2014] FCA 1392. Mr Gould did not give evidence in the case. This decision is under appeal. If the trial judge's key findings are upheld on appeal, the number of shares in which Mr Gould had a relevant interest as at, and prior to, the date of this report may change.

DIVIDENDS

No dividends were declared or paid during the financial year.

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

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

For the financial year, the economic entity recorded a consolidated profit after tax of $4,065,563. Profit included significant non-recurring income from the now reduced Cyclopet business which recorded profit after tax of $1,683,477 and the recognition of a future tax benefit of $595,310. Profit from the continuing operations of the Technegas division was therefore $2,382,086.

The Technegas business's profit after tax of $2,382,086 represents an increase of 42.1% over 2013's profit of $1,676,139. The increase in profit was a result of 10.0% growth in the sales in key products, TechnegasPlus generators and Patient Administration Sets, price increases in Europe and Asia, favourable foreign exchange movements and the recognition of tax benefits totalling $595,310 (2013: $146,051).

During the year, the Directors ceased the existing production and sale of FDG at the cyclotron facility located at Macquarie University Hospital, Sydney. Cyclopet claimed the market for its products had been adversely impacted for a number of years by the anti-competitive activities of the Australian Government owned enterprise ANSTO. ANSTO settled the dispute with Cyclopet by paying $2,650,000 to Cyclopet. This payment and the recognition of other income of $244,920 resulted in Cyclopet contributing a profit after tax of $1,683,477 to the group (2013: Loss after tax of $11,794,660).

Financial Position

Net assets increased to $7,756,160 at 31 December 2014 (2013: $3,661,822) due primarily to the $4,065,563 profit.

Cashflow from operations was $4,468,780 including the receipt of the ANSTO payment of $2,650,000.

After repaying the National Australia Bank loan of $2,400,000, the group's net cash balance was $3,268,425 at December 2014.

Further details of the consolidated entity's Operating and Financial Review are set out on pages 5 to 11 of the Managing Director's Review.

Directors' Report
Continued

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Shares cancelled and issued during the year

The Company issued 1,723,456 Long Term Incentive Plan shares on 1 September 2014 and cancelled 1,786,849 expired Long Term Incentive Plan shares on 25 November 2014. There were no other shares cancelled or issued during the year.

BANKING FACILITIES

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

Cyclopharm's wholly owned subsidiary, Cyclomedica Ireland Limited, has a flexible rate loan provided by the Allied Irish Banks, Plc. with a repayment period of 7 years. The facility is secured by a registered Fixed and Floating Charge and First Registered Debenture over Cyclomedica Ireland Limited and a guarantee from Cyclomedica Europe Limited.

As a result of recognising the $8.86 million impairment charge to the property, plant and equipment of the Molecular Imaging division in the 31 December 2013 results, the Group breached its banking covenant relating to capital adequacy in the 31 March 2014 reporting quarter. The Group complied with all banking covenants for the subsequent reporting quarter until the loan was fully repaid to the National Australia Bank at the end of August 2014.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Technegas

The opportunities for developing additional diagnostic purposes for Technegas to include COPD will be a key priority for the company. If successful, the potential to expand Technegas's revenue and profitability over the medium to longer term is significant.

The Directors maintain their view that FDA approval to sell Technegas into the USA market provides Cyclopharm with the opportunity to significantly expand its sales and profitability. However, it should be highlighted that as expenditure incurred in relation to the FDA trials will be expensed rather than capitalised, Cyclopharm's results will be adversely impacted when clinical trials ramp up in 2015. The Directors are currently evaluating options to fund the FDA trials.

Molecular Imaging

It was announced on 20 June 2014 that substantial water damage occurred to the cyclotron facility following attempts by the authorities to extinguish a fire in the carpark on the floor above the facility. The cyclotron facility was fully insured and on 16 September 2014, the ASX was informed that the insurer, QBE accepted liability for the costs to fully reinstate the cleanrooms and laboratory facilities. Work is currently in progress and the facilities are expected to be fully reinstated early 2016.

Once operational, the Cyclotron facility at Macquarie University Hospital is expected to be utilised to progress not only some of the company's research and development activities but also a select commercially viable range of radiopharmaceuticals until the longer-term future of the facility is determined, which could result in the sale of the asset.

Ultralute™

Commercial production of the Ultralute™ technology is expected to commence in late 2015. During the year, we will also continue to progress discussions with potential commercial partners for this technology.

MATERIAL BUSINESS RISKS

The Directors have identified the following material business risks which may, if they eventuate, substantially impact on the future performance of the Cyclopharm Group along with its approach to managing these risks. The risk factors listed below are not exhaustive, additional risks may also adversely affect the financial performance of Cyclopharm.

Competition
To date, Cyclopharm has demonstrated that it can compete effectively in the medical equipment / drug market in Australia and many other parts of the world.

The medical equipment / drug industry is very competitive and characterised by large international companies supplying much of the global market requirements. The emergence of new and unauthorised generic technologies could in certain circumstances make the Technegas System redundant or negatively impact on the Cyclopharm Group's plans to develop its Ultralute™ business.

Accordingly, there is a business risk in that Cyclopharm's key revenue source from the Technegas System could be severely disrupted or reduced. There are products that do compete with Technegas, in particular Computed Tomography and DTPA. These products could replace Technegas and therefore negatively impact Cyclopharm Group's revenue and profitability. The Directors note that the lengthy periods it takes to achieve regulatory approval and gain medical practitioners' approval and acceptance of new or generic products, Cyclopharm Group's reputation for timely and quality service, the safety record of Technegas and its competitive pricing, mitigate these risks.

In addition, the Cyclopharm Group's business plan and stated strategy is to continue to develop sales in new and existing international markets and to develop new diagnostic purposes for Technegas.

Reputation
The performance of the Cyclopharm Group's products is critical to its reputation and to its ability to achieve market acceptance of these products. Any product failure could have a material adverse effect on the Cyclopharm Group's reputation as a supplier of these products. Technegas has had no contraindications or adverse patient events since the commencement of sales.

Disruption of Business Operations
As a manufacturer, the Cyclopharm Group is exposed to a range of operational risks relating to both current and future operations. Such operational risks include equipment failures, IT system failures, external services failure (including energy supply), industrial action or disputes and natural disasters. If one or more such operational risks materialize, they may have an adverse impact on the operating and financial performance of Cyclopharm.

The Cyclopharm Group operates through a series of contractual relationships with customers, suppliers, distributors and independent contractors. To date, the Cyclopharm Group has generally provided products and services on the basis of tenders submitted to customers, followed by purchase orders incorporating the customer's standard terms and conditions of trade as a condition of the acceptance.

Reliance on Distributors / Loss of key customers
Cyclopharm Group maintains a spread of customers through direct and indirect sales channels. The loss of a major distributor could have a significant, adverse impact on Cyclopharm's projected earnings. The

majority of sales through distributors or agents are managed through contractual arrangements. Whilst the Cyclopharm Group has distribution agreements in place, some may be terminated by the distributor with up to six months' notice prior to the expiration of the current terms (which vary). Other sales arrangements are not in writing and depend on the ongoing goodwill of the parties. The Directors are concerned to ensure that all such relationships are formalised.

All contracts, including those entered into by the Cyclopharm Group, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations or that these contractual relationships may be terminated.

Cyclopharm's financial result could be adversely affected by the loss of large customers, a change in the terms of business with a large customer, or by such customers not adequately or fully complying with their respective contractual rights and obligations. However, the risks are mitigated by the existence of numerous alternatives available given that Technegas is a highly sought after product.

Funding
The Directors are currently evaluating options to fund the FDA trials in the USA. Any additional equity financing may be dilutive to Shareholders and investors, and debt financing, if available, may involve restrictions on financing and operating activities. There can be no assurance that Cyclopharm will be able to raise such financing on favourable terms or at all.

Currency and Exchange Rate Fluctuations
The financial contribution to the Cyclopharm Group of the Technegas System will depend on the movement in exchange rates between the Australian dollar and a number of foreign currencies, particularly the Euro.

The exchange rate between various currencies may fluctuate substantially and the result of these fluctuations may have a material adverse impact on Cyclopharm's operating results and financial position. In the long term, Cyclopharm's ability to compete against imported products may be adversely affected by an expectation of a sustained period of a high Australian dollar that would reduce the Cyclopharm Group's price competitiveness.

The majority of the Cyclopharm Group's expenses are currently payable in Australian dollars. The Cyclopharm Group also supplies its product to overseas markets and hence is exposed to movements in the A$ exchange rate. The Cyclopharm Group does not enter into forward exchange contracts to hedge its anticipated purchase and sale commitments denominated in foreign currencies. Therefore, Cyclopharm is exposed to exchange rate fluctuations.

Doing Business Internationally
As the Cyclopharm Group will be and is operating in numerous countries, the Cyclopharm Group will be exposed to risks such as unexpected changes in regulatory requirements (including taxation), longer payment cycles, problems in collecting debts, fluctuation in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds and potentially adverse tax consequences, all of which could adversely impact on Cyclopharm.

The Cyclopharm Group currently requires, and in the future may require further, licenses to operate in foreign countries which may be difficult to obtain and retain depending on government policies and political circumstances.

Regulatory
Future expansion of Cyclopharm's range of products and services may be governed by regulatory controls in each target market and it is not possible for Cyclopharm to guarantee that approvals in all target markets will be obtained and maintained in the future.

The Technegas System is required to be registered with the relevant regulatory bodies in each country or relevant jurisdiction. If for any reason such product registrations are withdrawn, cancelled (or otherwise lose their registered status) or are not renewed, it would have a significant effect on the sales of products which rely on them in the relevant country or countries.

Technegas' manufacturing does not involve the emission of any environmentally sensitive materials and the Cyclopharm Group is not required to hold any environmental licence or consent under the *Environmental Protection Act* (Cth). It is possible that this could change with the development of new products and any additional regulatory requirements could impact upon the profitability of the group.

The Cyclopharm Group has obtained:

- a Certificate of Device listing on the Australian Register of Therapeutic Goods Register for the Technegas System;
- a CE Mark approval for the device elements of the Technegas System in EU;
- a marketing authorization for the drug aspect of Technegas in EU; and

must retain these approvals while it continues to produce and sell the Technegas System.

Cyclopet Pty Limited, which is involved in the operations of the cyclotron, is subject to significant environmental regulations under the Radiation Control Act, 1990 by the Department of Environment, Climate Change and Water.

Intellectual Property Rights

The Cyclopharm Group's success may be affected by its ability to maintain patent protection for products and processes, to preserve its trade secrets and to operate without infringing the proprietary rights of third parties.

Patents

Unless challenged the validity of a patent or trademark may be assumed. Any patent or trademark may be challenged on a number of grounds but the onus is on the party seeking revocation to establish those grounds.

All patents and trademarks require renewal at regular dates and if not renewed will expire. It is the Cyclopharm Group's practice to renew its patents and trademarks as required. The Directors note that whilst some patents have expired or have not been renewed, or remain to be transferred or licensed to Cyclopharm Group companies, there remains sufficient protection in these countries through other patent arrangements in place or being put in place.

The validity and breadth of claims covered in patents involve complex legal and factual questions and therefore may be highly uncertain. No assurance can be given that the pending applications will result in patents being issued, that such patents or the current patents will provide a competitive advantage or that competitors of the Cyclopharm Group will not design around any patents issued. Further, any information contained in the patent applications will become part of the public domain, so that it will not be protected as confidential information. As legal regulations and standards relating to the validity and scope of patents evolve, the degree of future protection of the Cyclopharm Group's proprietary rights is uncertain. However, those regulations and standards in the field of nuclear medicine (in which the Cyclopharm Group's technology resides) are relatively well established and non-controversial.

ENVIRONMENTAL REGULATIONS

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

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

1. the liability does not arise from conduct involving a lack of good faith; or
2. the liability is for costs and expenses incurred by the Director or Officer in defending proceedings save as not permitted by law.

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

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

The total amount of insurance contract premiums paid for the year ending 31 December 2015 is $20,708 (for the year ended 31 December 2014: $20,741).

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 31.

Fees of $11,727 (2013: $14,940) have been paid for share registry services and fees of $7,689 (2013: $10,000) for taxation services to an associate of Russell Bedford NSW for the year ended 31 December 2014 for non-audit related services. The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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

REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines the director and executive remuneration arrangements of the Company and the group and the remuneration disclosures required in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company.

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

Directors' Report
Continued

Director and Executive Remuneration Table

Consolidated	Short-term employee benefits Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Post employment benefits Superannuation $	Other Long-term benefits $	Share-based payment $	Total $	Performance related %
2014								
Directors								
Vanda Gould Non-Executive Director	31,827	-	-	-	-	-	**31,827**	0%
David Heaney Non-Executive Director	31,827	-	-	-	-	-	**31,827**	0%
Henry Townsing Non-Executive Director	31,827	-	-	-	-	-	**31,827**	0%
Executive Director								
James McBrayer Managing Director	302,527	-	-	27,374	5,987	25,118	**361,006**	7%
Total Directors' Compensation	**398,008**	**-**	**-**	**27,374**	**5,987**	**25,118**	**456,487**	**6%**

Directors' Report
Continued

Director and Executive Remuneration Table

	Short-term employee benefits			Post employment benefits	Other Long-term benefits	Share-based payment	Total	Performance related
Consolidated	Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Superannuation $	$	$	$	%
2014								
Key Management Personnel								
Nabil Morcos Chief Operating Officer	202,799	-	-	19,012	6,151	1,118	**229,080**	0%
Gary Somerville Quality and Regulatory Manager	125,427	-	-	11,946	2,485	-	**139,858**	0%
Caryn Cheah Financial Controller	47,744	-	-	4,479	462	56	**52,741**	0%
Graham Phillips Finance Manager	121,266	-	-	11,369	2,365	56	**135,056**	0%
Charles Buttigieg Sales and Marketing Manager - Australia	177,885	-	-	16,700	8,767	112	**203,464**	0%
Bjorn Altmann General Manager – Europe	153,644	-	-	-	-	-	**153,644**	0%
Lynn McLauchlin * General Manager – Canada	145,525	24,080	-	-	-	112	**169,717**	14%
Total Key Management Personnel's Compensation	**974,290**	**24,080**	**-**	**63,506**	**20,230**	**1,454**	**1,083,560**	**2%**
Total Compensation	**1,372,298**	**24,080**	**-**	**90,880**	**26,217**	**26,572**	**1,540,047**	**3%**

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

Directors' Report
Continued

Director and Executive Remuneration Table

Consolidated	Short-term employee benefits Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Post employment benefits Superannuation $	Other Long-term benefits $	Share-based payment $	Total $	Performance related %
2013								
Directors								
Vanda Gould Non-Executive Director	41,200	-	-	-	-	-	**41,200**	0%
David Heaney Non-Executive Director	31,827	-	-	-	-	-	**31,827**	0%
Henry Townsing * Non-Executive Director	9,330	-	-	-	-	-	**9,330**	0%
Executive Director								
James McBrayer Managing Director	293,990	-	-	25,933	3,808	10,434	**334,165**	3%
Total Directors' Compensation	**376,347**	**-**	**-**	**25,933**	**3,808**	**10,434**	**416,522**	**3%**

* Mr Townsing was appointed on 16 September 2013.

Directors' Report
Continued

Director and Executive Remuneration Table

	Short-term employee benefits			Post employment benefits	Other Long-term benefits	Share-based payment	Total	Performance related
Consolidated	Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Superannuation $	$	$	$	%
2013								
Key Management Personnel								
Nabil Morcos Chief Operating Officer	197,384	-	-	18,011	8,174	1,565	**225,134**	1%
Gary Somerville Quality and Regulatory Manager	124,024	-	-	11,317	4,110	-	**139,451**	0%
Caryn Cheah Financial Controller	49,047	-	-	4,475	183	78	**53,783**	0%
Graham Phillips Finance Manager	118,028	-	-	11,048	3,166	78	**132,320**	0%
Charles Buttigieg Sales and Marketing Manager - Australia	193,516	-	-	17,682	5,509	157	**216,864**	0%
Bjorn Altmann General Manager – Europe	142,857	-	-	-	-	-	**142,857**	0%
Lynn McLauchlin * General Manager – Canada	149,630	25,015	-	-	-	157	**174,802**	14%
Total Key Management Personnel's Compensation	**974,486**	**25,015**	**-**	**62,533**	**21,142**	**2,035**	**1,085,211**	**3%**
Total Compensation	**1,350,833**	**25,015**	**-**	**88,466**	**24,950**	**12,469**	**1,501,733**	**3%**

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

Cyclopharm Limited

Details of Managing Director and Key Management Personnel's Share-based payment 2014

Managing Director	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable	Term	Expiry date	Performance Hurdle
James McBrayer	861,728	$0.071	$0.22	$189,580.16	2 years	31/8/2016	Employment with the Cyclopharm Group until 31 August 2016
James McBrayer	861,728	$0.052	$0.25	$215,432.00	2 years	31/8/2016	Employment with the Cyclopharm Group until 31 August 2016
	1,723,456			**$405,012.16**			

Cyclopharm Limited

Details of Managing Director and Key Management Personnel's Share-based payment 2013

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

Interests in the shares of the Company and related bodies corporate

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

	Interest	31 December 2013	Granted under long term incentive schemes	Lapsed under long term incentive schemes	On market purchases	On market sales	31 December 2014
		No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Directors							
Mr VR Gould	NBI	2,178,895	-	-	124,674	(2,270)	2,301,299
Mr DJ Heaney	BI	85,872	-	-	-	-	85,872
Mr JS McBrayer	BI	1,373,294	1,723,456	(1,341,476)	-	-	1,755,274
Mr JS McBrayer	NBI	60,000	-	-	-	-	60,000
Mr H Townsing	NBI	229,786	-	-	-	-	229,786
		3,927,847	1,723,456	(1,341,476)	124,674	(2,270)	4,432,231
Key Management Personnel							
Prof N Morcos	BI	479,954	-	(268,295)	-	-	211,659
Mr C Buttigieg	BI	26,830	-	(26,830)	-	-	-
Ms L McLauchlin	BI	26,830	-	(26,830)	-	-	-
Ms C Cheah	BI	13,415	-	(13,415)			-
Mr G Phillips	BI	13,415	-	(13,415)	-	-	-
		560,444	-	(348,785)	-	-	211,659

NBI: Non beneficial interests
BI: Beneficial interest

The details in respect of the Directors set out above are based on the disclosure made by them to the Company (and in turn given by the Company to the ASX as their agent) during the financial year ended 31 December 2014. On 19 December 2014, Mr Justice Perram delivered his judgement in the case of *Hua Wang Bank Berhad v Commissioner of Taxation* [2014] FCA 1392. Mr Gould did not give evidence in the case. This decision is under appeal. If the trial judge's key findings are upheld on appeal, the number of shares in which Mr Gould had a relevant interest as at, and prior to, 31 December 2014 may change.

Remuneration committee

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

The Remuneration Committee is responsible for:
- reviewing and approving the remuneration of Directors and other senior executives; and
- reviewing the remuneration policies of the Company generally.

Remuneration philosophy

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

To this end, the Company embodies the following principles in its remuneration framework:
- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure

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

Non-executive Director remuneration

Objective

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

Structure

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

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

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

Executive remuneration

Objective

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

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

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

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

Remuneration consists of the following key elements:

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

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

Fixed Remuneration

Objective

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

Structure

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

Variable remuneration - Short Term Incentive

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

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

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

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

Variable remuneration – Long Term Incentive

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

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

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

Employment contracts

Managing Director

The Managing Director, Mr McBrayer, is employed under a rolling contract. Mr McBrayer's current contract was executed on 13 May 2008. Mr McBrayer's remuneration for 2014 and 2013 is disclosed in the tables on pages 20 and 22. Under the terms of the present contract:

- Each year from 1 January, on 31 December Mr McBrayer may be entitled to receive additional amounts up to a maximum of $50,000 based on achieving certain benchmarks and targets, which in the absence of any formal agreement will default to achieving the budgeted Profit After Tax approved by the Board of Directors. This amount is entirely performance based and seeks to strengthen the alignment of the Managing Director's interests with those of the Company's shareholders.
- Mr McBrayer may resign from his position and thus terminate this contract by giving 6 months written notice unless a mutually agreeable date can be agreed upon.
- The Company may terminate this employment agreement by providing 6 months written notice or providing payment in lieu of the notice period.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.
- On 3 June 2008, two strictly limited recourse loans were made to Mr McBrayer under the Company's LTIP. The first loan was to enable the purchase of 700,000 shares for a period of 2 years at the price of 25 cents per share. These shares did not vest and lapsed in 2010. The second loan was to enable the purchase of 700,000 shares for a period of 4 years at the price of 35 cents per share. These shares did not vest and lapsed in 2012.
- On 31 October 2012, two strictly limited recourse loans were made to Mr McBrayer under the Company's LTIP to purchase shares for a period of 2 years. The first loan was to enable the purchase of 447,159 shares at the price of 35 cents per share and the second loan was to enable the purchase of 894,317 shares at the price of 50 cents per share. Both these shares did not vest and lapsed in 2014.
- On 1 September 2014, two strictly limited recourse loans were made to Mr McBrayer under the Company's LTIP to purchase shares for a period of 2 years. The first loan was to enable the purchase of 861,728 shares at the price of 22 cents per share and the second loan was to enable the purchase of 861,728 shares at the price of 25 cents per share.

Other Executives (standard contracts)

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

Related Parties

The Directors disclose any conflict of interests in directors' meeting as per the requirements under the Corporations Act (2001). Any disclosures that are considered to fall under the definition of related parties as per AASB 124 'Related Party Disclosures' are made in the Directors' meetings and minuted.

DIRECTORS' MEETINGS

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

Director	Cyclopharm Board Meetings		Audit Committee Meetings		Board Nomination Committee		Remuneration Committee Meetings	
	No. of Meetings Eligible to Attend	No. of Meetings Attended	No. of Meetings Eligible to Attend	No. of Meetings Attended	No. of Meetings Eligible to Attend	No. of Meetings Attended	No. of Meetings Eligible to Attend	No. of Meetings Attended
Mr V R Gould	11	11	3	3	-	-	2	2
Mr D J Heaney	11	11	3	3	-	-	2	2
Mr J M McBrayer	11	11	-	-	-	-	-	-
Mr H Townsing	11	10	-	-	-	-	-	-

SHARE OPTIONS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

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

James S McBrayer

James McBrayer
Managing Director and CEO

Sydney, 31 March 2015

Auditor's Independence Declaration

Russell Bedford
New South Wales

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31 March 2015

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

Dear Directors

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

We declare that, to the best of our knowledge and belief, during the year ended 31 December 2014, there have been no contraventions of:

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

Yours faithfully

RUSSELL BEDFORD NSW
Chartered Accountants

STEPHEN FISHER
Partner

Corporate Governance

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

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

1 Compliance with ASX best practice recommendations

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

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

The Company considers that practices comply with 26 of the ASX best practice recommendations as at 31 December 2014. The Company considers that its recommendations comply with the best practice recommendations, other than recommendations 4.2 and 8.3. Explanations for the departure are provided in this statement in section 3(a) and 5(a). A checklist summarising this is set out in section 9 of this Statement.

2 The Board of Directors

(a) Membership

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

ASX Recommendation 2.6 (refer to best practice summary)

The Company's Constitution requires a minimum of 3 Directors and a maximum of 9 Directors. As at 31 December 2014, there were three non-executive Directors and one executive director. The Chairman, Mr Gould, is a non-executive director.

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

(b) Board role and responsibilities

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

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

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

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

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

(c) Chairman

The Chairman, satisfies the requirements for an Independent Chairman under *ASX Recommendations 2.1 and 2.2* as Mr Gould is a non-executive, and has approximately 4.01% of the Shares (Recommendations permit 5%).

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

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

ASX Recommendation 2.3 (refer to best practice summary)

(d) Independent Directors

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

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

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

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

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

(e) Avoidance of conflicts of interest by a director

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

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

(f) Board Meetings

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

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

(g) Review of Board Performance

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

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

ASX Recommendation 2.5 (refer to best practice summary)

(h) Nomination and appointment of new Directors

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

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

(i) Retirement and re-election of Directors

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

ASX Recommendation 2.4 (refer to best practice summary)

(j) Board access to information and advice

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

ASX Recommendation 2.5 (refer to best practice summary)

3 Board Committees

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

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

(a) Audit and Risk Committee

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

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

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

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

The Audit and Risk Committee monitors and reviews:

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

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

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

(b) Board Nominations Committee

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

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

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

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

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

(c) Remuneration Committee

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

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

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

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

ASX Recommendation 9.2 (refer to best practice summary)

4 Recognising and managing risk

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

(a) Board oversight of the risk management system

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

The Company recognises four main types of risk:

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

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

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

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

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

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

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

(b) Risk management roles and responsibilities

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

(c) Managing Director and Chief Financial Officer Certification

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

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

ASX recommendations 7.3 (refer to best practice summary)

(d) Internal review and risk evaluation

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

5 Remuneration

(a) Overview

The Remuneration Committee is responsible for reviewing the compensation arrangements for the Managing Director and other key personnel. The Remuneration Committee is also responsible for reviewing management incentive schemes, superannuation, retirement and termination entitlements, fringe benefits policies, and professional indemnity and liability insurance policies. The nature and amount of each element of the fee or salary of each director and each of the highest-paid officers of the Company are set out in the Remuneration Report on pages 20 to 25. Non-executive Directors' fees and payments are reviewed annually by the Board. Executive Directors are, subject to the information above, paid in salary or fees.

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

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

(b) Equity-based key management personnel remuneration

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

6 Timely and balanced disclosure

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

(a) Market disclosure policy and practices

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

This policy includes provision for communications by the Company to:

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

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

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

(b) Communication strategy

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

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

7 Ethical and responsible decision-making

(a) Code of Ethics and Conduct

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

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

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

(b) Policy concerning trading in Company securities

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

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

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

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

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

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

8 Diversity

The Company publishes on its website its Diversity Policy.

The proportion of women employees within the following three levels as at 31 December 2014 are:

- Whole organisation 27%
- Senior executive positions 15%
- Board 0%

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

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

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

Corporate Governance
Continued

9 Checklist for summarising the best practice recommendations and compliance

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

Corporate Governance
Continued

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

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

Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
CONTINUING OPERATIONS			
Sales revenue	4	12,046,797	11,882,134
Finance revenue		20,510	15,438
Other revenue	4	2,894,920	-
Total revenue		**14,962,227**	**11,897,572**
Cost of materials and manufacturing	4a	(3,426,976)	(3,508,337)
Employee benefits expense	4e	(3,413,729)	(3,739,567)
Advertising and promotion expense		(249,688)	(308,668)
Depreciation and amortisation expense	4c	(265,962)	(643,083)
Freight and duty expense		(527,711)	(629,502)
Research and development expense	4d	(14,231)	(37,514)
Administration expense	4f	(2,663,169)	(3,103,785)
Other expenses	4g	(883,246)	(808,623)
Impairment charge - Molecular Imaging property, plant and equipment		-	(8,860,163)
Reversal / (Share) of loss of associate	11	60,000	(252,640)
Profit / (Loss) before tax and finance costs		**3,577,515**	**(9,994,310)**
Finance costs	4b	(107,262)	(270,262)
Profit / (Loss) before income tax		**3,470,253**	**(10,264,572)**
Income tax benefit / (expense)	5	595,310	146,051
Net Profit / (Loss) for the year		**4,065,563**	**(10,118,521)**
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)		2,371	687,870
Total comprehensive income / (loss) for the year		**4,067,934**	**(9,430,651)**
Earnings / (Loss) per share (cents per share)	6	**cents**	**cents**
-basic earnings / (loss) per share for continuing operations		7.03	(17.56)
-basic earnings / (loss) per share		7.03	(17.56)
-diluted earnings / (loss) per share		7.03	(17.56)

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

Statement of Financial Position

as at 31 December 2014

cyclopharm Nuclear Medicine

	Notes	Consolidated 2014 $	Consolidated 2013 $
Assets			
Current Assets			
Cash and cash equivalents	7	3,268,425	1,220,646
Trade and other receivables	8	3,268,993	3,628,951
Inventories	9	2,284,653	2,581,113
Other assets		27,972	20,794
Total Current Assets		**8,850,043**	**7,451,504**
Non-current Assets			
Inventories	9	-	178,416
Property, plant and equipment	10	729,063	897,063
Investments accounted for using the equity method	11	-	-
Intangible assets	12	706,884	483,513
Deferred tax assets	5	675,327	-
Total Non-current Assets		**2,111,274**	**1,558,992**
Total Assets		**10,961,317**	**9,010,496**
Liabilities			
Current Liabilities			
Trade and other payables	13	1,869,475	1,869,833
Interest bearing loans and borrowings	14	45,692	2,416,986
Provisions	15	796,363	800,653
Tax liabilities	5	208,486	123,019
Total Current Liabilities		**2,920,016**	**5,210,491**
Non-current Liabilities			
Interest bearing loans and borrowings	14	200,039	-
Provisions	15	72,219	120,960
Deferred tax liabilities	5	12,883	17,223
Total Non-current Liabilities		**285,141**	**138,183**
Total Liabilities		**3,205,157**	**5,348,674**
Net Assets		**7,756,160**	**3,661,822**
Equity			
Contributed equity	16	14,962,967	14,963,237
Employee equity benefits reserve	25	365,259	338,585
Foreign currency translation reserve	25	(523,099)	(525,470)
Accumulated losses		(7,048,967)	(11,114,530)
Total Equity		**7,756,160**	**3,661,822**

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

Statement of Cash Flows
for the year ended 31 December 2014

		Consolidated	
		2014	2013
	Notes	$	$
Operating activities			
Receipts from customers		12,606,355	12,032,504
Litigation settlement proceeds		2,650,000	-
Payments to suppliers and employees		(10,701,933)	(11,340,301)
Interest received		20,510	15,438
Borrowing costs paid		(107,262)	(270,262)
Income tax received		1,110	269,327
Net cash flows from operating activities	7	**4,468,780**	**706,706**
Investing activities			
Loan to associate		60,000	(60,000)
Purchase of property, plant and equipment		(19,437)	(663,497)
Payments for deferred expenditure		(279,319)	(7,212)
Net cash flows used in investing activities		**(238,756)**	**(730,709)**
Financing activities			
Costs of raising capital		(270)	(3,278)
Repayment of bank borrowings		(2,171,255)	(1,204,310)
Net cash flows used in financing activities		**(2,171,525)**	**(1,207,588)**
Net increase / (decrease) in cash and cash equivalents		**2,058,499**	**(1,231,591)**
Cash and cash equivalents			
- at beginning of the period		**1,220,646**	**2,346,556**
- net foreign exchange differences from translation of cash and cash equivalents		(10,720)	105,681
- at end of the year	7	**3,268,425**	**1,220,646**

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

Statement of Changes in Equity

for the year ended 31 December 2014

CONSOLIDATED	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings / (Accumulated Losses) $	Foreign Currency Translation Reserve $	Employee Equity Benefits Reserve $	Total $
Balance at 1 January 2013	**20,299,673**	**(5,333,158)**	**14,966,515**	**1,905,974**	**(1,589,609)**	**325,553**	**15,608,433**
Prior period error adjustments	-	-	-	(2,901,983)	376,269	-	(2,525,714)
Restated balance at 1 January 2013	**20,299,673**	**(5,333,158)**	**14,966,515**	**(996,009)**	**(1,213,340)**	**325,553**	**13,082,719**
Loss for the year	-	-	-	(10,118,521)	-	-	(10,118,521)
Other comprehensive income	-	-	-	-	687,870	-	687,870
Total comprehensive loss for the year	**-**	**-**	**-**	**(10,118,521)**	**687,870**	**-**	**(9,430,651)**
Cost of raising capital	(3,278)	-	(3,278)	-	-	-	(3,278)
Cost of share based payments	-	-	-	-	-	13,032	13,032
Total transactions with owners and other transfers	**(3,278)**	**-**	**(3,278)**	**-**	**-**	**13,032**	**9,754**
	-	-	-	-	-	-	-
Balance at 31 December 2013	**20,296,395**	**(5,333,158)**	**14,963,237**	**(11,114,530)**	**(525,470)**	**338,585**	**3,661,822**
Balance at 1 January 2014	**20,296,395**	**(5,333,158)**	**14,963,237**	**(11,114,530)**	**(525,470)**	**338,585**	**3,661,822**
Profit for the year	-	-	-	4,065,563	-	-	4,065,563
Other comprehensive income	-	-	-	-	2,371	-	2,371
Total comprehensive loss for the year	**-**	**-**	**-**	**4,065,563**	**2,371**	**-**	**4,067,934**
Cost of raising capital	(270)	-	(270)	-	-	-	(270)
Cost of share based payments	-	-	-	-	-	26,674	26,674
Total transactions with owners and other transfers	**(270)**	**-**	**(270)**	**-**	**-**	**26,674**	**26,404**
Balance at 31 December 2014	**20,296,125**	**(5,333,158)**	**14,962,967**	**(7,048,967)**	**(523,099)**	**365,259**	**7,756,160**

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

1. CORPORATE INFORMATION

The financial report of Cyclopharm Limited ("Cyclopharm" or "the Company") for the year ended 31 December 2014 was authorised for issue by a resolution of the Directors as at the date of this report.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

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

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

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

The financial report is presented in Australian dollars.

Change in Accounting Policy

The Group voluntarily changed its accounting policy relating to the capitalised expenditure of the Ultralute and New Technegas Generator development projects, whereby the expenditure was reclassified as intangible development assets under AASB 138: Intangible Assets for the year ended 31 December 2014. For the previous financial year ended 31 December 2013, the expenditure was classified as capital work in progress within property, plant and equipment. This change has been implemented as the Board has determined it is appropriate to classify and present all development assets as intangible development assets from the commencement of rather than upon the completion of the development activities. A useful life has not been determined as the development projects are not yet complete. The Directors are satisfied that future economic benefits will eventuate to justify the carrying value of the capitalised expenditure of these projects.

The table below provides a summary of the amounts of the adjustments for each financial statement line item affected by the reclassification of the Ultralute and New Technegas Generator development expenditure as intangible development assets for the year ended 31 December 2014, as well as the comparative period for the year ended 31 December 2013:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation

Change in Accounting Policy (continued)

Adjustments made to statement of financial position:

	As at 31 December 2014		
	Under Previous Accounting Policy	Effect of Change in Accounting Policy AASB138	As Presented
	$	$	$
Property, plant and equipment	1,303,167	(574,104)	729,063
Intangible development assets	132,780	574,104	706,884

	As at 31 December 2013		
	Under Previous Accounting Policy	Effect of Change in Accounting Policy AASB138	As Presented
	$	$	$
Property, plant and equipment	1,234,136	(337,073)	897,063
Intangible development assets	146,440	337,073	483,513

	As at 1 January 2013		
	Under Previous Accounting Policy	Effect of Change in Accounting Policy AASB138	As Presented
	$	$	$
Property, plant and equipment	9,903,211	(173,915)	9,729,296
Intangible development assets	194,455	173,915	368,370

Critical Accounting Estimates and Judgments

Prior Period Error

(i) Intangible Assets

As a result of a review by ASIC of Cyclopharm's 2013 Annual Report, ASIC has determined that in its opinion the FDA approval process expenditure does not meet the definition of an intangible asset under AASB 138: Intangible Assets. The Board of Cyclopharm has accepted this determination. Consequently, an adjustment has been made in the 2014 half year financial report to rectify a material prior period error by de-recognising the previously capitalised FDA costs of $3,380,387 as at 1 January 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation

Prior Period Error (continued)

Adjustments made to statement of financial position:

	As at 31 December 2013		
	Balance before correction $	Effect of correction $	Balance as presented $
Intangible development assets	3,863,900	(3,380,387)	483,513
Accumulated Losses	(7,734,143)	(3,380,387)	(11,114,530)

	As at 1 January 2013		
	Balance before correction $	Effect of correction $	Balance after correction $
Intangible development assets	3,270,353	(2,901,983)	368,370
Retained Profits / (Accumulated Losses)	1,905,974	(2,901,983)	(996,009)

Adjustments made to statement of comprehensive income:

	Year ended 31 December 2013		
	Balance before correction $	Effect of correction $	Balance as presented $
Other expenses	330,219	478,404	808,623
Loss per share (cents per share)	(16.73)	(0.83)	(17.56)

Adjustments made to statement of changes in equity:

	Year ended 31 December 2013		
	Balance before correction $	Effect of correction $	Balance as presented $
Accumulated Losses	(7,734,143)	(3,380,387)	(11,114,530)
Loss for the year	(9,640,117)	(478,404)	(10,118,521)

	As at 1 January 2013		
	Balance before correction $	Effect of correction $	Balance as presented $
Retained Profits / (Accumulated Losses)	1,905,974	(2,901,983)	(996,009)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation

Prior Period Error (continued)

Adjustments made to statement of cashflows:

	Year ended 31 December 2013		
	Balance before correction	Effect of correction	Balance as presented
	$	$	$
Payments to suppliers and employees	(10,861,897)	(478,404)	(11,340,301)
Net cash flows from operating activities	1,185,110	(478,404)	706,706
Payments for deferred expenditure	(485,616)	478,404	(7,212)
Net cash flows used in investing activities	(1,209,113)	478,404	(730,709)

(ii) Property, Plant and Equipment

The Group became aware that there had been an error in relation to over elimination of unrealised costs and under elimination of unrealised accumulated depreciation of Technegas units held for rental income by overseas group companies in prior years. Consequently, an adjustment has been made to rectify a material prior period error by increasing the carrying value of property, plant and equipment by $491,716 and reducing the deficiency in the balance of the Foreign Currency Translation Reserve by $491,716 to $525,470 as at 1 January 2014.

Adjustments made to statement of financial position:

	As at 31 December 2013		
	Balance before correction	Effect of correction	Balance as presented
	$	$	$
Property, plant and equipment	405,347	491,716	897,063
Foreign currency translation reserve	(1,017,186)	491,716	(525,470)

	As at 1 January 2013		
	Balance before correction	Effect of correction	Balance after correction
	$	$	$
Property, plant and equipment	9,353,027	376,269	9,729,296
Foreign currency translation reserve	(1,589,609)	376,269	(1,213,340)

Adjustments made to statement of comprehensive income:

	Year ended 31 December 2013		
	Balance before correction	Effect of correction	Balance as presented
	$	$	$
Exchange differences on translating foreign controlled entities (net of tax)	572,423	115,447	687,870

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation

Prior Period Error (continued)

Adjustments made to statement of changes in equity:

	Year ended 31 December 2013		
	Balance before correction $	Effect of correction $	Balance as presented $
Foreign Currency Translation Reserve	(1,017,186)	491,716	(525,470)

	As at 1 January 2013		
	Balance before correction $	Effect of correction $	Balance as presented $
Foreign Currency Translation Reserve	(1,589,609)	376,269	(1,213,340)

b) New and Amended Accounting Policies Adopted by the Group

Consolidated financial statements

The Group has adopted the following new and revised Australian Accounting Standards from 1 January 2014 together with the consequential amendments to other Standards:

- AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;*
- Interpretation 21: *Levies;*
- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets;*
- AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting and*
- AASB 2013-5: *Amendments to Australian Accounting Standards – Investment Entities*
- AASB 2013-6: *Amendments to AASB136 arising from Reduced Disclosure Requirements*
- AASB 2013-7: *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders*
- AASB 2013-9: *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B)*
- AASB 1031: *Materiality (December 2013)*

These Standards are mandatorily applicable from 1 January 2014 and thus, became applicable to the Group for the first time in the current reporting period. An assessment of the potential impact are discussed below:

- AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Interpretation 21: *Levies*

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

- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

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

- AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*

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

- AASB 2013-5: *Amendments to Australian Accounting Standards – Investment Entities*

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

- AASB 2013-6: *Amendments to AASB136 arising from Reduced Disclosure Requirements*

  AASB 2013-6 (issued September 2013) amends the reduced disclosure requirements (RDR) in AASB 136 – Reduced Disclosure Requirements to reflect the amendments to AASB 136 arising from AASB 2013-3.

  AASB 2013-6 is mandatorily applicable for reporting entities wishing to apply Tier 2 of the reporting framework for financial reporting periods beginning on or after 1 January 2014. This Standard is not expected to significantly impact the Group's financial statements.

- *AASB 2013-7: Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders*

  AASB 2013-7 (issued October 2013) removes the specific requirements in relation to consolidation from AASB 1038: Life Insurance Contracts, thereby leaving AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.

  As neither the parent nor its subsidiaries meet the definition of a life insurer entity, this Standard is not expected to significantly impact the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2013-9: *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B)*

  Part B of this Standard (issued December 2013) deletes references to AASB 1031: *Materiality* in various Australian Accounting Standards and Interpretations. This is consistent with the Australian Accounting Standards Board (AASB) policy of not providing unnecessary local guidance in matters covered by International Financial Reporting Standards (IFRSs). Once all references to AASB 1031 have been deleted from all Australian Accounting Standards and Interpretations (which will be facilitated by way of future Amending Standards), AASB 1031 will be withdrawn. In the interim, the AASB has reissued AASB 1031 as an interim Standard that cross-references to other pronouncements that contain guidance on materiality.

- AASB 1031: *Materiality (December 2013)*

  As part of the adoption of IFRSs in 2005, the AASB decided to retain AASB 1031, in a revised format, to ensure that the meaning of "materiality" remained well explained. The AASB's concern about the application of the materiality concept stemmed from IFRSs not containing a dedicated Standard or detailed guidance on the concept of materiality.

  Subsequent to the implementation of IFRSs in Australia, the AASB has adopted a policy of not providing unnecessary local guidance on matters covered by IFRSs. Consequently, the AASB has decided to withdraw AASB 1031.

  The withdrawal of AASB 1031 requires consequential amendments to all Australian Accounting Standards and Interpretations to remove references to the Standard. As discussed above, Part B of AASB 2013-9 deletes references to AASB 1031 in a number of AASB pronouncements. However, until all references to AASB 1031 have been removed (which will be facilitated by way of future Amending Standards), AASB 1031 (July 2004, as amended) will be withdrawn and replaced with the revised interim Standard AASB 1031 (December 2013).

  AASB 1031 (December 2013) differs from AASB 1031 (July 2004, as amended) in that it:

  - removes the Australian guidance on materiality that is not available in IFRSs; and
  - directs constituents to other Australian pronouncements that contain guidance on materiality.

  AASB 2013-9 and AASB 1031 (December 2013) are not expected to significantly impact the Group's financial statements.

c) New Accounting Standards for Application in Future Periods

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

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018, as further amended by Part E of AASB 2014-1).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- AASB 2014-1: *Amendments to Australian Accounting Standards*

Part A of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and makes the following significant amendments:

- revises/adds the definitions of the terms "market condition", "performance condition" and "service condition" in AASB 2: *Share-based Payment*;
- clarifies that contingent considerations arising in a business combination should be accounted for as items of equity or liability and not as provisions in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*;
- requires additional disclosures when an entity aggregates its operating segments into one reportable segment in accordance with AASB 8: *Operating Segments*; and
- includes an entity that provides key management personnel services (a "management entity") to a reporting entity (or a parent of the reporting entity) within the definition of a "related party" in AASB 124: *Related Party Disclosures*.

This part also makes other editorial corrections to various Australian Accounting Standards; however, it is not expected to have a significant impact on the Group's financial statements.

Part B of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and permits an entity to recognise the amount of contributions from employees or third parties in a defined benefit plan as a reduction in service cost for the period in which the related service is rendered, if the amount of contributions is independent of the number of years of service. This part is not expected to have a significant impact on the Group's financial statements.

Part C of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and deletes the reference to AASB 1031: *Materiality* in particular Australian Accounting Standards. This part is not expected to have a significant impact on the Group's financial statements.

Part D of this Standard is applicable to annual reporting periods beginning on or after 1 January 2016 and makes amendments to AASB 1: *First-time Adoption of Australian Accounting Standards*, which arise from the issuance of AASB 14: *Regulatory Deferral Accounts* in June 2014. AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. In line with management's assessment of AASB 14, this part is not expected to have a significant impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Part E of this Standard is applicable to annual reporting periods beginning on or after 1 January 2015 and defers the application date of AASB 9 (December 2010) to annual reporting periods beginning on or after 1 January 2018. This part also makes consequential amendments to hedge accounting disclosures set out in AASB 7: Financial Instruments: Disclosures, and to AASB 132: Financial Instruments: Presentation to permit irrevocable designation of "own use contracts" as measured at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. Management believes that there will not be any significant impact on the Group's financial statements on adoption of this part of the Standard.

- AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*

  This Standard is applicable to annual reporting periods beginning on or after 1 January 2016. It amends AASB 11: *Joint Arrangements* to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

  Since adoption of this Standard would impact only acquisition of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Group's financial statements.

d) Basis of consolidation

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

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

Subsidiaries

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

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

Transactions eliminated on consolidation

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

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

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

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

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

Exchange differences arising on the translation of foreign operations are recognised in other comprehensive income and are transferred directly to the group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the Statement of Comprehensive Income in the period in which the entity is disposed. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

f) Income tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax consolidation

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

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

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

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

g) Property, plant and equipment

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

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

Impairment

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

Depreciation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

h) Investments Accounted For Using The Equity Method

Associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures. The Group generally deems significant influence over an entity to exist if the Group has the power to participate in the financial and operating decisions of the entity but is not in control or joint control. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Borrowing costs

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

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

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

j) Intangibles

Intangible assets

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

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

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

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

Research and development costs

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

Expenditure on development activities is capitalised only when it is probable that future benefits will exceed deferred costs and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the costs over a period during which the related benefits are expected to be realised.

Expenditure on the development of the TechnegasPlus generator has been capitalised. A useful life of 9 years has been applied and amortisation for the year included in the Statement of Comprehensive Income. No impairment provision has been deemed appropriate. The Directors are satisfied that the future economic benefits will eventuate to justify the capitalisation of the expenditure incurred.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Inventories

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

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

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

l) Trade and other receivables

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

m) Cash and cash equivalents

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

n) Trade and other payables

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

o) Interest-bearing loans and borrowings

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

p) Provisions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Employee entitlements

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

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

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

r) Employee share and performance share schemes

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

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

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

s) Leases

Operating Leases

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

t) Revenue recognition

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

Sale of goods

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision of services

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

Interest

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

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

u) Other taxes

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

v) Financial instruments

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

Loans and receivables

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

De-recognition of financial instruments

Financial liabilities

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

Impairment of financial assets

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

w) Contributed equity

Share capital

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

x) Earnings per share

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

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

y) Fair Value

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (ie 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 (ie the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

z) Significant Accounting Judgements and Estimates

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

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

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. Refer to Note 10.

The assumptions used in the estimation of recoverable amount and the carrying amount of intangible assets are discussed in Note 12. No impairment has been recognised in respect of intangible assets at the end of the reporting period.

Useful lives of property, plant and equipment

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

Share based payment transactions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. Refer to Note 23 for details of the Company's Share Based Payment Plan.

Key Judgements

Taxation

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

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

3. SEGMENT REPORTING

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

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

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

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

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

Business segments

The tables under the heading business segments present revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2014 and 31 December 2013.

Geographical segments

The tables under the heading geographical segment present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2014 and 31 December 2013.

3. SEGMENT REPORTING (continued)

Business Segments

For the year ended 31 December 2014	Consolidated Technegas $	Molecular Imaging $	Total $
Revenue			
Sales to external customers	11,490,190	556,607	12,046,797
Finance revenue	20,295	215	20,510
Other revenue	-	2,894,920	2,894,920
Total revenue	**11,510,485**	**3,451,742**	**14,962,227**
Result			
Profit before tax, impairment charge and finance costs	**1,937,052**	**1,640,463**	**3,577,515**
Impairment charge - Molecular Imaging property, plant and equipment	-	-	-
Profit before tax and finance costs	**1,937,052**	**1,640,463**	**3,577,515**
Finance costs	(23,820)	(83,442)	(107,262)
Profit before income tax	**1,913,232**	**1,557,021**	**3,470,253**
Income tax benefit / (expense)	468,854	126,456	595,310
Profit after income tax	**2,382,086**	**1,683,477**	**4,065,563**
Assets and liabilities			
Segment assets	10,277,130	684,187	10,961,317
Segment asset increases for the period :			
- capital expenditure	20,599	-	20,599
Segment liabilities	(2,937,067)	(268,090)	(3,205,157)
Other segment information			
Depreciation and amortisation	(223,401)	(42,561)	(265,962)
Reversal of loss of associate	-	60,000	60,000

3. SEGMENT REPORTING (continued)

Business Segments (continued)

For the year ended 31 December 2013	Consolidated Technegas $	Molecular Imaging $	Total $
Revenue			
Sales to external customers	10,456,919	1,425,215	11,882,134
Finance revenue	15,345	93	15,438
Other revenue	-	-	-
Total revenue	**10,472,264**	**1,425,308**	**11,897,572**
Result			
Profit / (Loss) before tax, impairment charge and finance costs	**1,547,290**	**(2,681,437)**	**(1,134,147)**
Impairment charge - Molecular Imaging property, plant and equipment	-	(8,860,163)	(8,860,163)
Profit / (Loss) before tax and finance costs	**1,547,290**	**(11,541,600)**	**(9,994,310)**
Finance costs	(17,202)	(253,060)	(270,262)
Profit / (Loss) before income tax	**1,530,088**	**(11,794,660)**	**(10,264,572)**
Income tax expense	146,051	-	146,051
Profit / (Loss) after income tax	**1,676,139**	**(11,794,660)**	**(10,118,521)**
Assets and liabilities			
Segment assets	7,936,454	1,074,042	9,010,496
Segment asset increases for the period :			
- capital expenditure	161,474	365,642	527,116
Segment liabilities	(2,357,386)	(2,991,288)	(5,348,674)
Other segment information			
Depreciation and amortisation	(220,139)	(422,944)	(643,083)
Equity accounted loss of associate	-	(252,640)	(252,640)

Notes
Continued

3. SEGMENT REPORTING (continued)

Geographical Segments

For the year ended 31 December 2014	Asia Pacific $	Consolidated Europe $	Canada $	Other $	Total $
Revenue					
Sales to external customers	3,141,247	6,534,274	2,235,729	135,547	12,046,797
Finance revenue	20,510	-	-	-	20,510
Other revenue	2,650,000	244,920	-	-	2,894,920
Total segment revenue	**5,811,757**	**6,779,194**	**2,235,729**	**135,547**	**14,962,227**
Assets					
Segment assets	6,808,762	3,114,439	1,038,116	-	10,961,317

For the year ended 31 December 2013	Asia Pacific $	Consolidated Europe $	Canada $	Other $	Total $
Revenue					
Sales to external customers	3,914,802	6,102,430	1,746,780	118,122	11,882,134
Finance revenue	15,216	222	-	-	15,438
Other revenue	-	-	-	-	-
Total segment revenue	**3,930,018**	**6,102,652**	**1,746,780**	**118,122**	**11,897,572**
Assets					
Segment assets	3,660,197	4,688,387	661,912	-	9,010,496

4. REVENUES AND EXPENSES

	Notes	Consolidated 2014 $	Consolidated 2013 $
Revenue			
Sales revenue		12,046,797	11,882,134
Finance revenue		20,510	15,438
Other Revenue			
Litigation settlement proceeds		2,650,000	-
CLSA deposit recognised		244,920	-
Total other revenue		2,894,920	-
Expenses			
a) Cost of materials and manufacturing			
Cost of materials and manufacturing		3,426,976	3,508,337
b) Finance costs			
Interest paid on loans from external parties		107,262	270,262
c) Depreciation and amortisation			
Depreciation of plant and equipment		209,277	516,685
Depreciation of leasehold improvements		737	71,171
Amortisation of intangibles		55,948	55,227
		265,962	643,083
d) Research & development expense			
Research expenses		14,231	37,514
e) Employee benefits expense			
Salaries and w ages		3,026,025	3,375,583
Defined contribution superannuation expense		265,549	268,595
Non-Executive Director fees		95,481	82,357
Share-based payments expense	23a	26,674	13,032
		3,413,729	3,739,567
f) Administration expense			
Legal and professional costs		1,220,314	1,467,697
Office and facility costs		532,372	550,800
Operating lease expenses	18a	327,150	488,765
Travel and motor vehicle costs		583,333	596,523
		2,663,169	3,103,785
g) Other expenses			
Realised Foreign exchange losses / (gains)		11,275	(162,799)
Unrealised Foreign exchange (gains) / losses		(8,045)	21,785
FDA expenses		478,035	478,404
Other		401,981	471,233
		883,246	808,623

5. INCOME TAX

	Consolidated 2014 $	Consolidated 2013 $
The components of income tax benefit comprise:		
Current income tax (expense) / benefit	(80,017)	144,830
Deferred tax benefit	675,327	1,221
	595,310	**146,051**
A reconciliation of income tax benefit / (expense) applicable to accounting profit / (loss) before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:		
Accounting profit / (loss) before income tax	**3,470,253**	**(10,264,572)**
Statutory income tax rate of 30%	(1,041,077)	3,079,372
Expenditure not allowable for income tax purposes		
- Impairment charge - Molecular Imaging property, plant and equipment	-	(2,658,049)
- Other items not allowable	(9,236)	(243,006)
Effects of lower rates on overseas income	194,081	150,183
Tax losses brought to account in Australian group	423,665	-
Tax losses and temporary differences brought to account in overseas subsidiaries	60,239	39,563
Temporary differences recognised in Australian group	675,327	-
Tax losses not recognised in Australian group	-	(519,188)
Research and development tax offset	292,311	297,176
Total income tax benefit	**595,310**	**146,051**
Effective income tax rate	17.2%	(1.4%)
Current income tax liability	**(208,486)**	**(123,019)**
Deferred tax assets		
Deferred tax assets from temporary differences on:		
Investments	**268,394**	**-**
Provisions and accruals	**375,274**	**-**
Other	**31,659**	**-**
Total deferred tax assets	**675,327**	**-**
Movements in deferred tax assets		
Opening balance	**-**	**-**
Deferred tax assets attributable to temporary differences brought to account	**675,327**	**-**
Closing balance	**675,327**	**-**
Deferred tax liabilities		
Deferred tax liabilities from temporary differences on:		
Provisions and accruals	12,883	17,223
Total deferred tax liabilities	**12,883**	**17,223**
Movements in deferred tax assets		
Opening balance	**17,223**	**18,444**
Reversal of temporary differences	**4,340**	**1,221**
Closing balance	**12,883**	**17,223**
Deferred tax assets for which no benefit has been recognised:		
- arising from temporary differences - at 30%	797,415	809,734
- arising from revenue tax losses - at 26.5%	130,577	158,268
- at 30%	-	672,909
- arising from capital tax losses - at 30%	23,657	-

6. NET TANGIBLE ASSETS AND LOSS PER SHARE

Net Tangible Assets per share

	Consolidated	
	2014 $	2013 $
Net assets per share	0.14	0.06
Net tangible assets per share	0.12	0.06
	Number	Number
Number of ordinary shares for net assets per share	57,385,143	57,448,536
	2014 $	2013 $
Net assets	7,756,160	3,661,822
Net tangible assets	7,049,276	3,178,309

The number of ordinary shares includes the effects of the issue of 1,723,456 Long Term Incentive Performance shares on 1 September 2014 and the cancellation of 1,786,849 expired Long Term Incentive Performance shares on 25 November 2014 as set out in Note 16.

Earnings per share

	Consolidated	
	2014 cents	2013 cents
Basic earnings / (loss) per share for continuing operations	7.03	(17.56)
Basic earnings / (loss) per share	7.03	(17.56)
Diluted earnings / (loss) per share	7.03	(17.56)
	Number	Number
Weighted average number of ordinary shares for basic and diluted loss per share	57,843,636	57,619,933
	2014 $	2013 $
Earnings / (Loss) used to calculate basic earnings per share	4,065,563	(10,118,521)
Earnings / (Loss) used to calculate diluted earnings per share	4,065,563	(10,118,521)

The weighted average number of ordinary shares includes the effects of the issue of 1,723,456 Long Term Incentive Performance shares on 1 September 2014 and the cancellation of 1,786,849 expired Long Term Incentive Performance shares on 25 November 2014 as set out in Note 16.

7. CASH AND CASH EQUIVALENTS

	Consolidated 2014 $	2013 $
Cash at bank and in hand	3,268,425	1,220,646
Total cash and cash equivalents	**3,268,425**	**1,220,646**

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

The fair value of cash equivalents is $3,268,425 (2013: $1,220,646).

Reconciliation of Statement of Cash Flows	2014 $	2013 $
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	3,268,425	1,220,646
	3,268,425	**1,220,646**
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net profit / (loss) after tax	**4,065,563**	**(10,118,521)**
Adjustments for non-cash income and expense items:		
Depreciation	210,014	587,856
Amortisation	55,948	55,227
Impairment charge - Molecular Imaging assets	-	8,860,163
(Reversal) / Share of loss in investment in associate	(60,000)	192,640
Movement provision for employee benefits	(53,031)	155,569
Movement in foreign exchange	(9,486)	466,742
Movement in employee benefits reserve	26,674	13,032
Movement in other provisions	38,143	-
	4,273,825	**212,708**
Increase/decrease in assets and liabilities:		
Decrease / (increase) in receivables	450,551	(12,012)
Decrease / (increase) in inventories	474,876	125,305
(Increase) / decrease in other receivables	(135,914)	162,382
Decrease / (increase) in current tax asset	-	1,478
(Decrease) / Increase in creditors	(358)	95,047
(Decrease) / increase in current tax liabilities	85,467	123,019
Decrease in deferred tax liabilities	(4,340)	(1,221)
Net cash flow from operating activities	**4,468,780**	**706,706**

7. CASH AND CASH EQUIVALENTS (continued)

(b) Non-cash financing and investing activities

During the year, 1,723,456 LTIP shares were issued to the Managing Director by way of loans and 1,786,849 LTIP shares expired and were cancelled. Refer to Note 16 Contributed Equity and Note 23 Share Based Payment Plans.

8. TRADE AND OTHER RECEIVABLES

		Consolidated	
		2014	2013
	Notes	$	$
Current			
Trade receivables, third parties		3,014,321	3,475,453
Provision for doubtful debts		-	(10,581)
Net Trade receivables, third parties	(i)	3,014,321	3,464,872
Other receivables	(ii)	254,672	164,079
Total Current trade and other receivables		**3,268,993**	**3,628,951**

Terms and conditions

Terms and conditions relating to the above financial instruments
(i) Trade receivables are non-interest bearing and generally on 30 and 60 day terms.
(ii) Other debtors are non-interest bearing and have repayment terms between 30 and 90 days.
(iii) Related party details are set out in the Note 19 Related party disclosures, controlled entities.

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

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

8. TRADE AND OTHER RECEIVABLES (continued)

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired (Days Overdue)				Within Initial Trade Terms
			< 30	31 - 60	61 - 90	> 90	
	$	$	$	$	$	$	$
2014							
Trade receivables, third parties	3,014,321	-	72,541	15,237	-	10,186	2,916,357
Other receivables - current	254,672	-	-	-	-	-	254,672
Total trade and other current receivables	3,268,993	-	72,541	15,237	-	10,186	3,171,029
2013							
Trade receivables, third parties	3,475,453	10,581	24,377	-	-	39,279	3,401,216
Other receivables - current	164,079	-	-	-	-	-	164,079
Total trade and other current receivables	3,639,532	10,581	24,377	-	-	39,279	3,565,295

9. INVENTORIES

	Notes	Consolidated 2014 $	Consolidated 2013 $
Current			
Raw materials at cost		752,713	647,463
Finished goods at lower of cost or net realisable value		1,531,940	1,933,650
Total current inventory		**2,284,653**	**2,581,113**
Non-current			
Finished goods at lower of cost or net realisable value		-	178,416
Total non-current inventory		**-**	**178,416**
Total inventory		**2,284,653**	**2,759,529**

10. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2014 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Total $
1 January 2014					
at written down value	339,075	15,796	535,414	6,778	897,063
Additions / Transfers	41,692	(4,370)	(16,723)	-	20,599
Disposals / Transfers	-		(1,162)	-	(1,162)
Foreign exchange translation	-	-	22,577	-	22,577
Depreciation for the year	(9,519)	(737)	(193,036)	(6,722)	(210,014)
31 December 2014					
at written down value	**371,248**	**10,689**	**347,070**	**56**	**729,063**
1 January 2014					
Cost value	2,372,804	3,046,846	7,791,715	120,901	13,332,266
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	(8,860,163)
Accumulated depreciation	(151,769)	(422,138)	(2,887,010)	(114,123)	(3,575,040)
Net carrying amount	**339,075**	**15,796**	**535,414**	**6,778**	**897,063**
31 December 2014					
Cost value	2,414,496	3,042,476	7,753,898	120,901	13,331,771
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	(8,860,163)
Accumulated depreciation	(161,288)	(422,875)	(3,037,537)	(120,845)	(3,742,545)
Net carrying amount	**371,248**	**10,689**	**347,070**	**56**	**729,063**

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

Leasehold land and buildings in Ireland are secured against the Fixed and Floating charge held by the Allied Irish Banks plc. as set out in Note 14 (b).

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2013 Consolidated	Land and buildings	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Total $
1 January 2013 at written down value	1,881,418	2,695,879	5,138,500	13,499	9,729,296
Additions / Transfers	389,075	-	138,041	-	527,116
Disposals / Transfers	-	-	(26,777)	-	(26,777)
Foreign exchange translation			115,447		115,447
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	(8,860,163)
Depreciation for the year	(49,458)	(71,171)	(460,506)	(6,721)	(587,856)
31 December 2013 at written down value	**339,075**	**15,796**	**535,414**	**6,778**	**897,063**
1 January 2013					
Cost value	1,983,729	3,046,846	7,644,699	120,901	12,796,175
Accumulated depreciation	(102,311)	(350,967)	(2,506,199)	(107,402)	(3,066,879)
Net carrying amount	**1,881,418**	**2,695,879**	**5,138,500**	**13,499**	**9,729,296**
31 December 2013					
Cost value	2,372,804	3,046,846	7,791,715	120,901	13,332,266
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	(8,860,163)
Accumulated depreciation	(151,769)	(422,138)	(2,887,010)	(114,123)	(3,575,040)
Net carrying amount	**339,075**	**15,796**	**535,414**	**6,778**	**897,063**

* Impairment arising from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014. The Group initially recognises and measures its Land and Buildings, Plant and Equipment and Leasehold Improvements at cost. The Group subsequently measures some of its Buildings, Plant and Equipment and its Leasehold Improvements at fair value on a non-recurring basis in accordance with AASB 136*: Impairment of Assets.* Refer Note 2 (y).

Fair Value Measurement

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation techniques

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

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

The Cyclopharm Board decided to cease commercial production at its Cyclotron facility at the end of April 2014 due to the impact on the Group's profits of the government-owned competition from PetNet, a subsidiary of Federal Government owned ANSTO. In making that decision, the Board valued the Cyclotron facility, comprised of buildings, leasehold improvements and plant and equipment at a fair value of nil, using the market approach and income approach techniques. The market technique predominantly used recent observable market data for similar new equipment in Australia, adjusted for loss in value caused by physical deterioration, functional obsolescence, economic obsolescence and the particular industry specific aspects affecting this highly specialised asset i.e. the government-owned competition which had rendered further participation in the molecular imaging industry uneconomic and its future use uncertain. The same industry specific factors were applied to the income approach technique. Both techniques resulted in a fair value of nil being recognised for the Cyclotron facility as at 31 December 2013. Cyclopharm considers that the same conditions still apply at 31 December 2014. Furthermore, the damage caused to the Cyclotron during the current financial year has delayed any decisions about the future use of the Cyclotron until it is restored to its former functionality. Accordingly, Cyclopharm has concluded that as a result of this uncertainty, the fair value of the Cyclotron remains at nil as at 31 December 2014.

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 2014 $	**Level 2 2013 $**
Buildings	-	-
Plant and equipment	-	-
Leasehold improvements	-	-
Total non-financial assets recognised at fair value	-	-

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2014 $	Consolidated 2013 $
Associated companies	-	-

Name	Principal Activities	Principal place of business	Measurement Method	Ownership Interest 2014	Ownership Interest 2013
Macquarie Medical Imaging Pty Ltd	Imaging centre	Sydney, Australia	Equity method	20%	20%

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

Macquarie Medical Imaging Pty Ltd	Notes	Consolidated 2014 $	Consolidated 2013 $
At 1 January		-	-
(Repayment made by) / Loan to associate	(a)	(60,000)	252,640
Reversal / (Share) of losses after income tax	(a)	60,000	(252,640)
At 31 December		-	-

Extract from the associate's statement of financial position:	Notes	Consolidated 2014 $	Consolidated 2013 $
Current Assets		1,913,081	1,767,259
Non-current Assets		12,957,666	12,947,755
Current Liabilities		(8,641,125)	(6,835,337)
Non-current Liabilities		(9,980,302)	(11,491,874)
Net assets		(3,750,680)	(3,612,197)
Share of associate's net assets	(b)	(750,136)	(722,439)

Extract from the associate's statement of comprehensive income:	Notes	Consolidated 2014 $	Consolidated 2013 $
Revenue		10,338,774	8,258,117
Net Loss	(b)	(452,429)	(1,677,355)

(a) During the year, Cyclopharm's wholly owned subsidiary Cyclopet Pty Ltd received $60,000 in respect of a 2013 loan made to Macquarie Medical Imaging Pty Ltd, an imaging joint venture at Macquarie University Hospital. Cyclopet Pty Ltd has a 20% (2013: 20%) interest in Macquarie Medical Imaging Pty Ltd. As the amount had not been expected to be repaid in the short term as at 31 December 2013, it was included as an interest in the associate and a share of the associate's losses has been recognised under the equity method of accounting.

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

(b) The share of the associate's loss not recognised during the year was $90,486 (2013: loss of $82,833) and the cumulative share of the associate's loss not recognised as at 31 December 2014 was $602,885 (31 December 2013: $515,188).

The fair value of the Group's investment in Macquarie Medical Imaging Pty Ltd was $nil (2013: $nil).

Contingent liabilities

(i) Cyclopharm Limited and CycloPet Pty Limited have jointly guaranteed with other investors to provide security for the whole Macquarie Medical Imaging Pty Ltd financing facility provided by the Commonwealth Bank of Australia. Cyclopharm Group's liability is limited to the amount that Cyclopharm Limited and CycloPet Pty Ltd are obliged to fund under a Subscription Agreement being 20% of the gross liability amount. The consolidated entity's contingent obligation at balance date was $1,972,551 (2013: $2,290,580).

(ii) Pursuant to a Shareholders' Agreement, CycloPet Pty Limited (a wholly owned subsidiary of Cyclopharm Limited) has undertaken to provide a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI") such that if this option was exercised, Cyclopet would be required to purchase all Redeemable Preference Shares and Ordinary Shares held by the 50% joint venturer for the value of the Redeemable Preference Shares plus any accumulated interest plus $1 for the Ordinary Shares. The cost to CycloPet had the put option been issued and exercised at balance date is estimated not to exceed $1,274,695 (2013: $963,828). If the put option was issued and exercised, control of MMI would be transferred to the Group and MMI's financial statements would be consolidated from that date.

12. INTANGIBLE ASSETS

Consolidated	Intellectual Property $	Technegas Development $	Target $	Ultralute $	Total $
Balance at					
1 January 2014	107,486	38,954	27,419	309,654	483,513
Additions	8,939	33,349		237,031	279,319
Amortisation	(25,227)	(30,721)	-	-	(55,948)
Balance at					
31 December 2014	**91,198**	**41,582**	**27,419**	**546,685**	**706,884**
31 December 2014					
Non-Current	91,198	41,582	27,419	546,685	706,884
Total	**91,198**	**41,582**	**27,419**	**546,685**	**706,884**
31 December 2013					
Non-Current	107,486	38,954	27,419	309,654	483,513
Total	**107,486**	**38,954**	**27,419**	**309,654**	**483,513**

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.

12. INTANGIBLE ASSETS (continued)

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

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

(b) The discount factor used was 8.85% in 2014.

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

13. TRADE AND OTHER PAYABLES

		Consolidated	
		2014	**2013**
	Notes	**$**	**$**
Trade payables, third parties	(i)	901,856	1,126,203
Other payables and accruals	(ii)	967,619	743,630
Total trade and other payables		**1,869,475**	**1,869,833**

Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
(ii) Other payables and accruals are non-interest bearing and have an average term of 4 months.
(iii) The non-interest bearing loan, related party loan is payable when called upon. Related party details are set out in the Note 19 Related party disclosures.

14. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	2014	**2013**
	$	**$**
Current		
Lease liabilty - secured	-	16,986
Bank loan - secured (b)	45,692	2,400,000
Interest bearing loans and borrowings (current)	**45,692**	**2,416,986**
Non-current		
Bank loan - secured (b)	200,039	-
Interest bearing loans and borrowings (non-current)	**200,039**	**-**
Total interest bearing loans and borrowings	**245,731**	**2,416,986**

a) Financing facilities available:

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

		Consolidated	
		2014	**2013**
	Notes	**$**	**$**
Total facilities available:			
- secured bank loans, third party		245,731	2,400,000
		245,731	**2,400,000**
Facilities used at reporting date:			
- secured bank loans, third party	14	245,731	2,400,000
		245,731	**2,400,000**
Total facilities		245,731	2,400,000
Facilities used at reporting date:		(245,731)	(2,400,000)
Facilities unused at reporting date:		**-**	**-**

14. INTEREST BEARING LOANS AND BORROWINGS (continued)

(b) Secured Bank Loans

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

Cyclopharm's wholly owned subsidiary, Cyclomedica Ireland Limited, has a flexible rate loan provided by the Allied Irish Banks, plc. with a repayment period of 7 years. The facility is secured by a registered Fixed and Floating Charge and First Registered Debenture over Cyclomedica Ireland Limited and a guarantee from Cyclomedica Europe Limited.

As a result of recognising the $8.86 million impairment charge to the property, plant and equipment of the Molecular Imaging division in the 31 December 2013 results, the Group breached its banking covenant relating to capital adequacy in the 31 March 2014 reporting quarter. The Group complied with all banking covenants for the subsequent reporting quarter until the loan was fully repaid to the National Australia Bank at the end of August 2014.

15. PROVISIONS

	Consolidated Employee Entitlements $
Consolidated	
Balance at	
1 January 2014	**921,613**
Arising during the year	91,826
Utilised	(144,857)
Balance at	
31 December 2014	**868,582**
31 December 2014	
Current	796,363
Non-Current	72,219
Total	**868,582**
Number of employees	
Number of employees at year end	33
31 December 2013	
Current	800,653
Non-Current	120,960
Total	**921,613**
Number of employees	
Number of employees at year end	38

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

Notes
Continued

16. CONTRIBUTED EQUITY

		Consolidated			
		2014	2013	2014	2013
	Notes	Number	Number	$	$
Issued and paid up capital					
Ordinary shares	(a)	57,385,143	57,448,536	20,296,125	20,296,395
Other contributed equity	(b)	-	-	(5,333,158)	(5,333,158)
Total issued and paid up capital		**57,385,143**	**57,448,536**	**14,962,967**	**14,963,237**
Ordinary shares					
(a) Issued and paid up capital					
Balance at the beginning of the period		57,448,536	58,128,536	20,296,395	20,299,673
Issue of Long Term Incentive Plan shares	(i)	1,723,456	-	-	-
Costs related to Issue of renounceable rights shares	(ii)	-	-	(270)	(3,278)
Cancellation of expired Long Term Incentive Plan shares	(iii)	(1,786,849)	(680,000)	-	-
Balance at end of period		**57,385,143**	**57,448,536**	**20,296,125**	**20,296,395**
(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) 1,723,456 Long Term Incentive Plan shares were issued on 1 September 2014 as set out on Note 23.
(ii) These are costs related to a capital raising exercise completed on 14 December 2012 comprising a pro-rata renounceable entitlement offer to eligible shareholders of 1 share for every 4 shares held by eligible shareholders at an issue price of $0.18 per rights share resulting in the issue of 11,625,805 shares.
(iii) The Company cancelled 1,786,849 expired Long Term Incentive Plan shares on 25 November 2014.

16. CONTRIBUTED EQUITY (continued)

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

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

The Directors did not declare a dividend during the financial year ended 31 December 2014.

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%. As a result of recognising the $8.86 million impairment charge to the property, plant and equipment of the Molecular Imaging division in the 31 December 2013 results, the Group breached its banking covenant relating to capital adequacy in the 31 March 2014 reporting quarter. The Group complied with all banking covenants for the subsequent reporting quarter until the loan was fully repaid to the National Australia Bank at the end of August 2014.

		Consolidated	
		2014	2013
	Notes	$	$
Total interest bearing loans and borrowings		245,731	2,416,986
Less cash and cash equivalents	7	(3,268,425)	(1,220,646)
Net (cash) / debt		**(3,022,694)**	**1,196,340**
Total equity		7,756,160	3,170,106
Gearing ratio		0.0%	37.7%

17. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

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

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

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

(a) Interest rate risk

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

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

At 31 December 2014, 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	
	2014	2013
	$	$
Judgements of reasonably possible movements:		
Profit / (Loss) before income tax		
+1.0% (100 basis points)	30,227	(30,000)
-0.5% (50 basis points)	(15,113)	15,000

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

Notes
Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

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

(a) Interest rate risk (continued)

Consolidated Year ended 31 December 2014		Weighted average interest rate %	Non interest bearing	Floating interest rate	Floating interest maturing in		Total
					1 year or less	1 to 5 years	
			$	$	$	$	$
FINANCIAL ASSETS							
Cash and cash equivalents	7	2.47%	-	3,268,425	-	-	3,268,425
Trade and other receivables	8	n/a	3,268,993	-	-	-	3,268,993
Total financial assets			**3,268,993**	**3,268,425**	**-**	**-**	**6,537,418**
FINANCIAL LIABILITIES							
Trade payables, third parties	13	n/a	1,869,475	-	-	-	1,869,475
Leases, third party	14	16.76%	-	-	-	-	-
Secured bank loans, third party	14	7.85%	-	-	45,692	200,039	245,731
Total financial liabilities			**1,869,475**	**-**	**45,692**	**200,039**	**2,115,206**
Net exposure			**1,399,518**	**3,268,425**	**(45,692)**	**(200,039)**	**4,422,212**

Consolidated Year ended 31 December 2013		Weighted average interest rate %	Non interest bearing	Floating interest rate	Floating interest maturing in		Total
					1 year or less	1 to 5 years	
			$	$	$	$	$
FINANCIAL ASSETS							
Cash and cash equivalents	7	2.58%	-	1,220,646	-	-	1,220,646
Trade and other receivables	8	n/a	3,628,951	-	-	-	3,628,951
Total financial assets			**3,628,951**	**1,220,646**	**-**	**-**	**4,849,597**
FINANCIAL LIABILITIES							
Trade payables, third parties	13	n/a	1,869,833	-	-	-	1,869,833
Leases, third party	14	16.76%	-	-	16,986	-	16,986
Secured bank loans, third party	14	7.16%	-	-	2,400,000	-	2,400,000
Total financial liabilities			**1,869,833**	**-**	**2,416,986**	**-**	**4,286,819**
Net exposure			**1,759,118**	**1,220,646**	**(2,416,986)**	**-**	**562,778**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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

The Group's policy is to monitor the maturity of borrowings at all times. At 31 December 2014, 19% of the Group's debt will mature in less than one year (2013: 100%).

Refer to the table above with the heading 17 (a) Cash flow interest rate risk which reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as investments in working capital eg. inventories and trade receivables and investment in property, plant and equipment. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the board and management monitors the Group's expected settlement of financial assets and liabilities on an ongoing basis.

The Group monitors rolling forecast of liquidity reserves on the basis of expected cash flow. At balance date the Group has no unused credit facilities (2013: $nil).

Consolidated Year ended 31 December 2014	Note	Less than 6 months $	6 months to 1 year $	1 year to 5 years $	Greater than 5 years $	Total $
Trade payables, third parties	13	1,869,475	-	-	-	1,869,475
Leases, third party	14	-	-	-	-	-
Secured bank loans, third party	14	22,846	22,846	182,768	17,271	245,731
		1,892,321	22,846	182,768	17,271	2,115,206
31 December 2013						
Trade payables, third parties	13	1,869,833	-	-	-	1,869,833
Leases, third party	14	-	16,986	-	-	16,986
Secured bank loans, third party	14	1,200,000	1,200,000	-	-	2,400,000
		3,069,833	1,216,986	-	-	4,286,819

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(d) Commodity price risk

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

(e) Foreign currency risk

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

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 72% (2013: 66%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 67% (2013: 56%) of costs are denominated in the unit's functional currency.

At 31 December 2014, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated	
	2014	2013
	$	$
United States dollars		
Amounts payable	98,834	334,657
Amounts receivable	16,749	18,044
Euros		
Amounts payable	274,881	117,628
Amounts receivable	1,683,953	2,732,607
Canadian dollars		
Amounts payable	2,011	10,244
Amounts receivable	711,958	290,691
Japanese Yen		
Amounts payable	37,106	-
Amounts receivable	51,156	-
Chinese Renminbi		
Amounts payable	104,433	-
Amounts receivable	-	-
Net exposure	**(1,946,551)**	**(2,578,813)**

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

Fair values

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

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk (continued)

Foreign currency sensitivity

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

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

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

	Consolidated	
	Increase in AUD of 10%	Decrease in AUD of 10%
	$	$
Euro		
31 December 2014		
Net loss	(128,097)	140,907
Equity (decrease) / increase	(128,097)	140,907
31 December 2013		
Net loss	(237,725)	261,498
Equity (decrease) / increase	(237,725)	261,498
CAD		
31 December 2014		
Net loss	(64,541)	70,995
Equity (decrease) / increase	(64,541)	70,995
31 December 2013		
Net loss	(25,495)	28,045
Equity (decrease) / increase	(25,495)	28,045

18. COMMITMENTS & CONTINGENCIES

(a) Operating lease commitments

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

	Consolidated 2014 $	Consolidated 2013 $
Operating Lease Commitments		
Minimum lease payments		
Due not later than one year	416,482	449,105
Due later than 1 year & not later than 5 years	933,682	1,250,535
More than 5 years	553,224	633,371
Total operating lease commitments	**1,903,388**	**2,333,011**
Operating lease expenses recognised as an expense during the year	327,150	488,765

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

(b) Finance lease commitments

	Notes	Consolidated 2014 $	Consolidated 2013 $
Finance Lease Commitments			
Minimum lease payments			
Due not later than one year	(i)	-	16,986
Total finance lease commitments		**-**	**16,986**

The Group also has entered into a commercial lease on motor vehicles that have a life of 5 years. This lease is secured against the underlying assets and was fully repaid in December 2014.

18. COMMITMENTS & CONTINGENCIES (continued)

(c) Other commitments

	Notes	Consolidated 2014 $	Consolidated 2013 $
The company has the following other commitments:			
Not later than one year		45,692	2,400,000
Due later than 1 year & not later than 5 years		182,768	-
More than 5 years		17,271	-
Total	(i) & (ii)	**245,731**	**2,400,000**

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

Cyclopharm's wholly owned subsidiary, Cyclomedica Ireland Limited, has a flexible rate loan provided by the Allied Irish Banks, plc. with a repayment period of 7 years. The facility is secured by a registered Fixed and Floating Charge and First Registered Debenture over Cyclomedica Ireland Limited and a guarantee from Cyclomedica Europe Limited.

(ii) As a result of recognising the $8.86 million impairment charge to the property, plant and equipment of the Molecular Imaging division in the 31 December 2013 results, the Group breached its banking covenant relating to capital adequacy in the 31 March 2014 reporting quarter. The Group complied with all banking covenants for the subsequent reporting quarter until the loan was fully repaid to the National Australia Bank at the end of August 2014.

(d) Capital commitments

There were no capital commitments as at the date of this report (2013: $nil).

(e) Contingent liabilities

(i) Cyclopharm Limited and CycloPet Pty Limited have jointly guaranteed with other investors to provide security for the whole Macquarie Medical Imaging Pty Ltd financing facility provided by the Commonwealth Bank of Australia. Cyclopharm Group's liability is limited to the amount that Cyclopharm Limited and CycloPet Pty Ltd are obliged to fund under a Subscription Agreement being 20% of the gross liability amount. The consolidated entities' contingent obligation at balance date was $1,972,551 (2013: $2,290,580).

(ii) Pursuant to a Shareholders' Agreement, CycloPet Pty Limited (a wholly owned subsidiary of Cyclopharm Limited) has undertaken to provide a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI") such that if this option was exercised, Cyclopet would be required to purchase all Redeemable Preference Shares and Ordinary Shares held by the 50% joint venturer for the value of the Redeemable Preference Shares plus any accumulated interest plus $1 for the Ordinary Shares. The cost to CycloPet had the put option been issued and exercised at balance date is estimated not to exceed $1,274,695 (2013: $963,828). If the put option was issued and exercised, control of MMI would be transferred to the Group and MMI's financial statements would be consolidated from that date.

19. RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to Note 8 Trade and other receivables, Note 13 Trade and other payables and Note 14 Interest bearing loans and borrowings):

CONSOLIDATED		Sales to related parties $	Purchases from related parties $	Repayment from / (loan to) related parties $	Amounts owed by related parties $	Provision for doubtful debts on Amounts owed by related parties $
Pilmora Pty Ltd	*2014*	-	31,827	-	-	-
	2013	-	-	-	-	-
Macquarie Medical Imaging	*2014*	34,675	-	60,000	230,782	230,782
	2013	100,006	-	(60,000)	192,640	192,640

Ultimate parent entity

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

Terms and conditions of transactions with related parties

- During the year, payments of $31,827 (2013: $nil) were made to Pilmora Pty Ltd (an entity controlled by Mr Townsing). All payments related to Mr Townsing's role as a non-executive director.
- Cyclopet Pty Ltd, a wholly owned subsidiary of Cyclopharm has a 20% interest in Macquarie Medical Imaging. Cyclopet manufactures products that are sold to Macquarie Medical Imaging. Cyclopet Pty Ltd received a repayment of $60,000 which it had loaned to Macquarie Medical Imaging in 2013. A share of the associate's losses had been recognised under the equity method in 2013 as it was not expected to be repaid in the short term. The share of the associate's losses has been reversed during the current period in view of the amount received. As the loan amount and trade debtor balance of $230,782 (2013: $192,640) are not expected to be repaid in the short term, they are included as an interest in the associate and a share of the associate's losses has been recognised under the equity method as disclosed in Note 11.

19. RELATED PARTY DISCLOSURES (continued)

Controlled Entities

Name	Note	Country of Incorporation	Percentage of equity interest held 2014	2013
Cyclopharm Limited	1,2	Australia		
Controlled entities				
CycloPET Pty Ltd	2	Australia	100%	100%
Cyclomedica Australia Pty Limited	2	Australia	100%	100%
Cyclomedica Ireland Limited	3	Ireland	100%	100%
Cyclomedica Europe Limited	3	Ireland	100%	100%
Cyclomedica Germany GmbH	5	Germany	100%	100%
Cyclomedica Canada Limited	4	Canada	100%	100%
Allrad No 28. Pty Ltd	2	Australia	100%	100%
Allrad No 29. Pty Ltd	2	Australia	100%	100%

Notes

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

20. EVENTS AFTER THE BALANCE DATE

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

21. AUDITORS' REMUNERATION

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

	Consolidated	
	2014	2013
	$	$
Amounts received or due and receivable by Russell Bedford NSW and associated entities for:		
Audit and review of the financial statements	97,953	100,625
Other services:		
- tax compliance	7,689	10,000
- share registry	11,727	14,940
	117,369	**125,565**
Amounts received or due and receivable by auditors other than Russell Bedford NSW for:		
Audit of the financial statements	75,175	74,577
Other services	11,318	10,524
	86,493	**85,101**

22. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURE

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 are provided in the Remuneration Report Section of the Directors' report.

Summary of remuneration of Directors & Key Management Personnel:

	Short-term employee benefits		Post employment benefits	Other Long-term benefits	Share-based payment	Total
	Salary & Fees	Cash Bonus	Superannuation			
Consolidated	$	$	$	$	$	$
2014	1,372,298	24,080	90,880	26,217	26,572	1,540,047
2013	1,350,833	25,015	88,466	24,950	12,469	1,501,733

Short-term salary, bonus, fees and leave
These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other Key Management Personnel.

Post-employment benefits
These amounts are the current-year's estimated cost of providing for superannuation contributions made during the year.

Other long term benefits
These amounts represent long service leave benefits accruing during the year.

Share based payment expense
These amounts represent the expense related to the participation of Key Management Personnel in equity-settled benefit schemes as measured by the fair value of the Implied Options granted on grant date.

Further information in relation to Key Management Personnel remuneration can be found in the Directors' Report.

23. SHARE BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

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

	Consolidated	
	2014	2013
	$	$
Expense arising from equity-settled share-based payment transactions (note 4)	26,674	13,032

The share based payment reserve to 31 December 2014 was $365,259 (2013: $338,585).

(b) Type of share based payment plans

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

Shares

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

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

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

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

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

23. SHARE BASED PAYMENT PLANS (continued)

LTIP Shares issued

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

Implied Options

AASB 2 Share Based Payments requires that the benefit to an employee arising from an employee share scheme such as the Cyclopharm Long Term Incentive Plan be treated as an expense 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.

(c) Summary of Implied Options granted

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

	Consolidated 2014 Number	Consolidated 2013 Number	Weighted Average Exercise Price 2014 $	Weighted Average Exercise Price 2013 $
Balance at the beginning of the year	1,786,849	1,786,849	0.46	0.46
Granted during the year	1,723,456	-	0.24	-
Exercised during the year	-	-	-	-
Lapsed during the year	(1,786,849)	-	-	-
Balance at the end of the year	**1,723,456**	**1,786,849**	**0.24**	**0.46**

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

The range of exercise prices for Implied Options at the end of the year was $0.22 to $0.25. The weighted average remaining contractual life for the Implied Options outstanding as at 31 December 2014 is 1.67 years (2013: 0.83 years). The weighted average fair value of Implied Options granted during the year was $0.06. No Implied Options were granted during the previous year.

23. SHARE BASED PAYMENT PLANS (continued)

(e) Option pricing models

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

Exercise price per Implied Option	$0.22	$0.25
Number of recipients	1	1
Number of Implied Options	861,728	861,728
Grant Date	1/09/2014	1/09/2014
Dividend yield	-	-
Expected annual volatility	21%	21%
Risk-free interest rate	9.00%	9.00%
Expected life of Implied Option (years)	2 years	2 years
Fair value per Implied Option	$0.071	$0.052
Share price at grant date	$0.25	$0.25
Model used	Black Scholes	Black Scholes

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

24. PARENT ENTITY DISCLOSURE

	2014 $	2013 $
(i) **Financial Position**		
Assets		
Current Assets	2,680,295	575,632
Non-current Assets	7,424,266	6,809,056
Total Assets	**10,104,561**	**7,384,688**
Liabilities		
Current Liabilities	58,221	2,471,389
Non-current Liabilities	5,023,050	1,968,948
Total Liabilities	**5,081,271**	**4,440,337**
Net assets	**5,023,290**	**2,944,351**
Equity		
Contributed equity	15,163,497	15,163,767
Employee equity benefits reserve	365,259	338,585
Accumulated Losses	(10,505,466)	(12,558,001)
Total Equity	**5,023,290**	**2,944,351**
(ii) **Financial Performance**		
Profit / (Loss) for the year	2,052,535	(12,598,476)
Other comprehensive income	-	-
Total Profit / (Loss) for the year	**2,052,535**	**(12,598,476)**

Contingent liabilities

Cyclopharm Limited and CycloPet Pty Limited have jointly guaranteed with other investors to provide security for the whole Macquarie Medical Imaging Pty Ltd financing facility provided by the Commonwealth Bank of Australia. Cyclopharm Group's liability is limited to the amount that Cyclopharm Limited and CycloPet Pty Ltd are obliged to fund under a Subscription Agreement being 20% of the gross liability amount. The consolidated entities' contingent obligation at balance date was $1,972,551 (2013: $2,290,580).

25. RESERVES

Nature and purpose of reserves:

(a) Employee equity benefits reserve

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

(b) Foreign currency Translation Reserve

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

Directors' Declaration

In the opinion of the Directors of Cyclopharm Limited:

1. (a) The financial statements and notes of the consolidated entity as set out on pages 43 to 101 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

   (ii) complying with Accounting Standards which, as stated in accounting policy Note 2(a) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

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

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2014.

Signed in accordance with a resolution of the Directors:

James S McBrayer

James McBrayer
Managing Director and CEO

Sydney, 31 March 2015

Independent Audit Report

Russell Bedford
New South Wales

Level 29, Suncorp Place
259 George Street
Sydney NSW 2000
Australia

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Independent Auditor's Report to the members of Cyclopharm Limited

Report on the Financial Report

We have audited the accompanying financial report of Cyclopharm Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Audit Report

Independence

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

Auditor's Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 29 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Cyclopharm Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Emphasis of Matter

We draw attention to the footnote to the table of movements in relevant interests in shares of the Company held by Directors and other Key Management Personnel during the financial year, presented on page 26 of the Remuneration Report in the Directors' Report, which describes a potential impact on the disclosure of the relevant interest in the Company held by Mr Vanda Gould. Our conclusion is not modified in respect of this matter.

RUSSELL BEDFORD NSW
Chartered Accountants

STEPHEN FISHER
Partner

Dated this 31st day of March 2015

ASX Additional Information

The following information is current at 28 February 2015

A. SUBSTANTIAL SHAREHOLDERS

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

Shareholder	No. of ordinary shares held	Percentage held of issued ordinary capital
Stinoc Pty Limited (a subsidiary of CVC Ltd)	10,974,417	19.12%
Lloyds & Casanove Investment Partners Limited	10,568,470	18.42%
Barings Acceptance Limited	9,967,601	17.37%
Chemical Trustee Limited	8,000,000	13.94%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of numbers of equity security holders by size of holding as at 28 February 2015

Category	Ordinary Shareholders
1 - 1,000	52
1,001 - 5,000	210
5,001 - 10,000	97
10,001 - 100,000	137
100,001 and over	35
Total	531

(ii) There were 55 holders of less than a marketable parcel of ordinary shares.

C. EQUITY SECURITY HOLDERS

	Twenty largest quoted equity security holders	Ordinary shares Number held	Percentage of issued shares
1	STINOC PTY LIMITED	10,974,417	19.12%
2	LLOYDS & CASANOVE INVESTMENT PARTNERS LIMITED	10,568,470	18.42%
3	BARINGS ACCEPTANCE LIMITED	9,967,601	17.37%
4	CHEMICAL TRUSTEE LIMITED	8,000,000	13.94%
5	EXECUTIVE RECRUITMENT SERVICES LIMITED	1,800,000	3.14%
6	MR JAMES MCBRAYER	1,755,274	3.06%
7	DERRIN BROTHERS PROPERTIES LIMITED	930,000	1.62%
8	MELBOURNE CORP OF AUSTRALIA PTY LIMITED (SUPERANNUATION FUND A/C)	865,469	1.51%
9	LJK NOMINEES PTY LIMITED <J D ROSS FAMILY TRUST A/C>	700,000	1.22%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	593,399	1.03%
11	SOUTH SEAS HOLDINGS PTY LTD	575,000	1.00%
12	ABASUS INVESTMENTS LIMITED	425,000	0.74%
13	CITY & WESTMINISTER LIMITED	420,000	0.73%
14	NEWRIDGE ENGINEERS LIMITED	370,000	0.64%
15	MR EDWARD JAMES STEPHEN DALLY & MRS SELINA DALLY <LEKDAL FAMILY A/C>	356,045	0.62%
16	MALACKEY HOLDINGS PTY LTD	350,000	0.61%
17	MELBOURNE CORP OF AUSTRALIA PTY LIMITED	340,000	0.59%
18	MR MAXIMINO AMOEDO	300,000	0.52%
19	OSBORNE AND CHAPPEL INTERNATIONAL LIMITED	281,211	0.49%
20	SYDNEY SCHOOLS PTY LIMITED	255,500	0.45%
		49,827,386	86.83%
	Other equity security holders	7,557,757	13.17%
	Total	**57,385,143**	**100.00%**

D. VOTING RIGHTS

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

General Information

Directors
Vanda Gould
Non-Executive Chairman

James McBrayer
Managing Director & CEO

David Heaney
Non-Executive Director

Henry Townsing
Non-Executive Director

Company Secretary
James McBrayer

Registered Office
Cyclopharm Limited
Building 75
Business & Technology Park
New Illawarra Road
Lucas Heights NSW 2234
T: 02 9541 0411
F: 02 9543 0960

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

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

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

Cyclomedica Germany
Museumstrasse 69
D-38229 Salzgitter
Germany

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

Auditors
Russell Bedford NSW
Level 29, Suncorp Place
259 George Street
Sydney NSW 2000

Share Registry
Gould Ralph Pty Ltd
Level 29, Suncorp Place
259 George Street
Sydney NSW 2000
T: 02 9032 3000
F: 02 9251 1275

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

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

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

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