

**ACRUX LIMITED
ABN: 72 082 001 152
AND CONTROLLED ENTITIES**

**FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2013
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A**

Appendix 4E Preliminary Final Report

Name of entity

Acrux Limited

ABN: 72 082 001 152

1. Reporting period

Report for the financial year ended 30 June 2013

Previous corresponding period is the financial year ended 30 June 2012

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up	56%	to	‘000’s 16,660
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	6%	to	6,926
Net profit for the period attributable to members (<i>item 2.3</i>)	down	6%	to	6,926
Dividends (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Interim dividend	Nil		N/A	
Final dividend	8 cents		Nil	
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	Not Applicable 9 September 2013			
Interim dividend				
Final dividend				

Brief explanation of any of the figures reported above necessary to enable the figures to be understood (*item 2.6*):

Revenue

Total revenue for the financial year was \$16.7 million (2012: \$10.7 million). Revenue related to product agreements was \$15.5 million (2012: \$8.8 million). Axiron® royalties contributed \$14.4 million (2012: \$7.2 million) and \$1.1 million was recorded following the execution of a manufacturing and marketing agreement with Gedeon Richter to commercialise Acrux's estradiol spray in markets outside the United States. Interest income added \$0.9 million (2012: \$1.6 million).

Profit from ordinary activities

Profit from ordinary activities after tax for the financial year was \$6.9 million (2012: \$7.4 million). Operating expenditure was \$6.6 million (2012: \$5.8 million). Employee benefits expense fell to \$2.0 million (2012: \$2.6 million) following the elimination of the chief executive officer position at 30 June 2012. Directors' fees increased to \$0.5 million from \$0.2 million as the Chairman took on an executive role. Royalty payments to Monash Investment Trust increased to \$0.5 million (2012: \$0.3 million), in-line with increased product income. A change in the method of amortising capitalised R & D following clarification from the International Financial Reporting Committee (IFRC) of allowed basis of amortisation increased depreciation and amortisation expense to \$1.3 million (2012: \$0.2 million). Income tax expense for the financial year was \$3.1 million. An income tax benefit of \$2.5 million was recorded in the prior year, tax expense of \$1.6 million was offset by tax benefit of \$4.1 million due to tax losses from excess imputation credits on dividends received by the parent entity as well as amendments to prior year tax returns to include additional deductions due under the research and development tax concession.

3. Statement of Comprehensive Income (*item 3*)

Refer to the attached statement

4. Statement of Financial Position (*item 4*)

Refer to the attached statement

5. Statement of Cash Flows (*item 5*)

Refer to the attached statement

6. Dividends (item 6)

	Date of payment	Total amount of dividend
Final dividend – year ended 30 June 2012	23 September 2013	8 cents
Interim dividend – year ended 30 June 2012	Not Applicable	Nil
Final dividend – year ended 30 June 2012	24 September 2012	8 cents

Amount per security

Total dividend	Amount per security	Franked amount per security	Amount per security of foreign sourced dividend
Current year	8 cents	nil	nil
Previous year	8 cents	nil	nil

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - A\$'000
Ordinary securities	13,322	13,320
Total	13,322	13,320

7. Statement of Retained Earnings (item 7)

	Consolidated Entity	
	2013	2012
	\$'000	\$'000
Balance at the beginning of year	(42,726)	(50,117)
Net profit attributable to members of the parent entity	6,926	7,391
Total available for appropriation	(35,800)	(42,726)
Dividends paid	(13,320)	-
Balance at end of year	(49,120)	(42,726)

8. Net tangible assets per security (item 8)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	14 cents	17 cents

9. The financial information provided in the Appendix 4E is based on the annual financial report (attached), which has been prepared in accordance with Australian accounting standards (item 9).

10. Commentary on the results for the period.

Refer to the Directors' Report in the attached Financial Report

11. Audit of the financial report (*item 11*)

The financial report has been audited

12. The audit has been completed.

The financial report is not subject to audit dispute or qualification.

**ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2013**

ACRUX LIMITED
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ACRUX LIMITED
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DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity consisting of Acrux Limited and the entities it controlled for the financial year ended 30 June 2013 and the independent auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal Activities

The principal activities of the consolidated entity during the financial year were the development and commercialisation of healthcare products. There has been no significant change in the nature of these activities during the financial year.

Operating Results

The consolidated profit, after income tax, attributable to the members of Acrux Limited was \$6.9 million (2012: \$7.4 million). Diluted earnings per share were 4.16 cents (2012: 4.44 cents).

Review of Operations

A review of the operations of the consolidated entity during the financial year and the results of those operations are as follows:

Vision

Acrux is an innovative Australian drug delivery business developing and commercialising a range of patient-preferred, patented products for global markets, using unique proprietary technology to administer drugs.

Business Strategy

Acrux's strategy is to create new human and veterinary pharmaceutical products by combining proven drugs with innovative, patented delivery technologies. Using proven drugs means that the development time is usually shorter and the risk and expenditure lower than is typical for new drug development.

Acrux's development skills are used to progress a range of products through clinical and regulatory milestones, before commercialising them in global markets through selected commercial partners, who provide expertise in the particular market. The value of each product is shared with the partner.

Fundamental features of the design of all Acrux's products are that they are better than the existing products on the market ("patient-preferred") and cannot be copied by competitors ("patent-protected").

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DIRECTORS' REPORT

Operating Results

The consolidated profit before tax increased to \$10.0 million (2012: \$4.9 million), due to Axiron[®] royalties more than doubling to \$14.1 million (2012: \$5.9 million). The consolidated profit after tax was \$6.9 million (2012: \$7.4 million).

Revenue

Total revenue for the financial year was \$16.7 million (2012: \$10.7 million). Revenue from product agreements was \$15.5 million (2012: \$8.8 million). Axiron royalties and development services contributed \$14.4 million (2012: \$7.2 million) and a signing fee of \$1.1 million was recorded following the execution of a manufacturing and marketing agreement with Gedeon Richter to commercialise Acrux's estradiol spray in markets outside the United States. Interest income reduced to \$0.9 million (2012: \$1.6 million), due to falling interest rates and reduced cash reserves following payment of the final dividend for the 2011/12 financial year.

Operating Expenditure

Operating expenditure totalled \$6.6 million (2012: \$5.8 million). Employee benefits expense fell to \$2.0 million (2012: \$2.6 million) following the elimination of the chief executive officer position at 30 June 2012. Directors' fees increased to \$0.5 million from \$0.2 million as the Chairman took on an executive role. Royalty payments to Monash Investment Trust increased to \$0.5 million (2012: \$0.3 million), in-line with increased product income. Depreciation and amortisation expense increased to \$1.4 million from \$0.3 million in the prior year. During the reporting period the International Financial Reporting Committee (IFRC) issued their interpretation of allowable methods of amortisation contained in the intangible assets accounting standard. As a result capitalised R & D expenditure will now be amortised on a straight line basis. Amortisation of R & D expenditure for the reporting period was \$1.3 million (2012: \$0.2 million).

Income tax expense for the financial year was \$3.1 million, compared with an income tax benefit of \$2.5 million in the prior year. The prior year tax benefit was the result of \$4.1 million of tax losses recorded from excess imputation credits on dividends received by the parent entity and additional tax deductions received from amended prior year research and development tax concession claims, offset by tax expense of \$1.6 million.

Cash flow

Net cash provided by operating activities increased to \$6.3 million (2012: net cash used \$2.4 million). Net cash outflow after dividend payments was \$7.0 million (2012: \$3.1 million). Cash reserves at 30 June 2013 were \$22.8 million (30 June 2012: \$30.0 million).

Receipts from product agreements increased to \$12.6 million (2012: \$6.4 million) due to the increase in Axiron royalty receipts. Interest receipts added \$1.2 million (2012: \$1.4 million). Payments to suppliers and employees reduced to \$4.8 million (2012: \$5.6 million). Income taxes of \$2.6 million were paid during the year (2012: \$4.6 million).

The payment of the final dividend for the 2011/12 financial year produced an outflow for financing activities of \$13.4 million compared with a modest outflow in the prior year of \$0.6 million representing the clearing of unclaimed payments from the 2011 special dividend.

Contributed Equity

The exercise of 25,000 employee share options added \$46,000 to contributed equity. There were no changes to contributed equity in the prior year. No employee share options remained at the end of the reporting period (2012: 25,000).

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DIRECTORS' REPORT

Key Events During the Year

- Axiron's net sales for the 2012/13 financial year increased to US\$124 million from US\$55 million in the prior year.
- Axiron sales made it the second placed product in the US testosterone therapy market.
- Axiron was launched in Australia and Canada.
- A marketing authorisation for Axiron was received in Brazil.
- A US patent concerning the underarm administration of testosterone formulations was granted by the US Patent and Trademark Office, expiring in 2027.
- Acrux and Lilly filed a lawsuit in the United States against Perrigo for infringement of three issued patents covering Axiron.
- Gedeon Richter was appointed to commercialise Acrux's estradiol spray in markets outside the United States, earning Acrux a US\$1 million signing fee, potential milestone payments of \$2.6 million, as well as royalties on sales of the product.
- Recuvyra®, the first animal health product utilising Acrux's delivery technology, was launched by Elanco in Europe and the United States.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity during the year.

After Balance Date Events

A total of 1,270,000 options over unissued ordinary shares were granted to employees on 31 July 2013. These options are exercisable at \$4.30 per share until 31 July 2016.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments

The Company will continue to pursue its operating strategy to create shareholder value. For the foreseeable future, the consolidated entity's financial results will be materially influenced by the sales performance of Axiron in the United States. Under a license agreement with Eli Lilly, the consolidated entity receives royalties on worldwide sales of Axiron by Eli Lilly and is eligible to receive potential sales milestone payments of up to US\$195 million.

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DIRECTORS' REPORT

Environmental Regulation

The consolidated entity's operations are subject to certain environmental regulations under a law of the Commonwealth and of a State or Territory. Details of the consolidated entity's performance in relation to such environmental regulation are as follows:

Laboratory Waste

In order to ensure compliance with the Environment Protection Act 1970 the consolidated entity engages an external waste management consultant. This consultant has ISO 14001:2004 Certified Environmental Management to ensure compliance with the legislative requirements. The consultant issues an EPA Transport Certificate at every collection of waste to ensure safe collection, transport, delivery and disposal/recycling procedures.

Trade Water Waste

An agreement exists with City West Water to ensure compliance under the Water Industry Act 1994 and Water Industry Regulations 1995. This agreement ensures that the acceptance of trade waste into the sewage network is managed effectively and that City West Water is aware of the type and quantities of waste disposed of by the consolidated entity.

The Directors are not aware of any breaches during the period covered by this report.

Dividend Paid, Recommended and Declared

A final un-franked dividend for the 2011/12 financial year of 8 cents per share, \$13.3 million, was paid during the reporting period. On 26 August 2013, the Directors resolved to declare a final dividend to shareholders of 8 cents per share, unfranked. The total amount of the dividend, based on the number of shares on issue at 30 June 2013 and at the date of this report, is \$13.3 million.

Shares Under Option

Unissued ordinary shares of Acrux Limited under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
31 July 2013	1,270,000	\$4.30	July 2016

No option holder has any right under the options to participate in any other share issue of the Company.

A total of 1,270,000 options over unissued ordinary shares were granted to employees on 31 July 2013. A further 600,000 options, with the same terms as those options granted on 31 July 2013, are proposed to be granted to Executive Chairman, Ross Dobinson subject to shareholder approval at the Company's 2013 Annual General Meeting.

Shares Issued On Exercise of Options

25,000 ordinary shares of Acrux Limited were issued on 1 March 2013 as a result of the exercise of options. The exercise price of these options was \$1.84.

There are no amounts unpaid on shares issued as a consequence of the exercise of options.

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DIRECTORS' REPORT

Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity has paid premiums in respect of an insurance contract to indemnify officers against liabilities that may arise from their position as officers of the Company and its controlled entities. Officers indemnified include the company secretary, all Directors and all executive officers participating in the management of the Company and its controlled entities. Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the insurance contract.

Proceedings on Behalf of the Consolidated Entity

In May 2013 Acrux DDS Pty Ltd, a wholly owned subsidiary of Acrux Limited, together with Eli Lilly filed a lawsuit in the United States District Court for the Southern District of Indiana against Perrigo Israel Pharmaceuticals Limited ("Perrigo") for infringement of three issued patents covering Axiron. The patents are owned by Acrux DDS and exclusively licensed to Eli Lilly. The lawsuit was filed in response to notice letters sent by Perrigo regarding its filing with the US Food and Drug Administration of an Abbreviated New Drug Application ("ANDA") for a Testosterone Metered Dose Transdermal Solution. The letters stated that the ANDA contains Paragraph IV certifications with respect to US Patent Numbers 8177449, 8419307 and 8435944, which are expected to expire in 2030, 2026 and 2027 respectively. These patents include claims relating to the application of testosterone formulations to the underarm and to the applicator used to apply Axiron. A Paragraph IV certification alleges invalidity, unenforceability and/or non-infringement of a patent. This ANDA does not contain Paragraph IV certifications with respect to the four other issued patents that cover Axiron, which expire in 2017.

No other person has applied for leave of a court to bring proceedings on behalf of the consolidated entity.

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DIRECTORS' REPORT

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of Acrux Limited at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

R Dobinson (Director since March 1998)

- | | |
|------------------|---|
| Responsibilities | - From 1 July 2012, Executive Chairman; prior to 1 July 2012, Non-Executive Chairman |
| Qualifications | - BBus |
| Experience | - Ross has been a Director since 1998 and was appointed Non-Executive Chairman in January 2006 and then Executive Chairman on 1 July 2012. He is a founder and former CEO of Acrux. Ross has a background in investment banking and stockbroking. He is currently Managing Director of TSL Group Ltd, a corporate advisory company specialising in establishing and advising life sciences companies. He was a founding director of Starpharma Holdings Limited (ASX: SPL), and is a director of a number of unlisted companies, including TPI Enterprises Ltd and Hexima Limited. Ross is Executive Chairman of Hexima Limited, which was listed on ASX from July 2010 to June 2011. |

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DIRECTORS' REPORT

Information on Directors and Company Secretary (Continued)

B Parncutt (Director since April 2012)

- | | |
|------------------|--|
| Responsibilities | - Non-Executive Director, member of the Human Capital Committee and Chair of the Audit and Risk Committee with financial qualification |
| Qualifications | - BSc, MBA |
| Experience | - Bruce joined the board on 30 April 2012. His career spans over 40 years in investment management, investment banking and stockbroking including seven years as Chief Executive of listed securities firm McIntosh Securities (1990 – 1996) and three years as Senior Vice President of Merrill Lynch (1997 – 1999). His experience includes extensive involvement in financial analysis, merger and acquisition transactions, capital-raising, and investment in companies across a broad spectrum from early stage to mature public companies. He holds a Bachelor of Science, an MBA, and is a Member of the Financial Services Institute of Australasia. Bruce is Chairman of the investment and corporate advisory firm, Lion Capital. He is President of The National Gallery of Victoria, a Board Member of the NGV Foundation and the Australian Ballet Company, and a Director of listed Praemium Limited (ASX: PPS), from August 2011. He was previously a director of ASX listed Stuart Petroleum Limited (from August 2010 to May 2011) and was director of McIntosh Securities Limited, Australian Stock Exchange Ltd and Vision Systems Ltd for varying periods prior to 1 July 2010. |

R Barrow (Director since April 2012)

- | | |
|------------------|---|
| Responsibilities | - Non-Executive Director, Chair of the Human Capital Committee and member of the Audit and Risk Committee |
| Qualifications | - BSc.Hons, MBA |
| Experience | - Ross joined the board on 1 April 2012. He has extensive experience in the life sciences sector. Ross was Chief Operating Officer and a director of Vision BioSystems Limited during the period when the company became a leader in the global histopathology market. Following acquisition by Danaher Corporation, Ross played a pivotal role overseeing the global integration of the company with Danaher's subsidiary, Leica Microsystems GmbH. Ross is currently the Chief Executive Officer and a director of Paranta Biosciences Limited. |

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DIRECTORS' REPORT

Information on Directors and Company Secretary (Continued)

J Pilcher (Company Secretary June 2003 to March 2005 and July 2006 to 16 August 2013)

- | | |
|------------------|---|
| Responsibilities | - Chief Financial Officer and Company Secretary |
| Qualifications | - BSc (Hons), ACA |
| Experience | - Jon joined Acrux in October 2002 and was appointed Chief Financial Officer in March 2004. He was reappointed Company Secretary in July 2006, having previously held that position from June 2003 to March 2005. This period included the listing of Acrux on the Australian Stock Exchange. Prior to joining Acrux, Jon was a Senior Manager at ANZ Banking Group and spent seven years with international pharmaceutical groups, Medeva and Celltech, based in the UK, where he held senior financial positions in the Research & Development and Corporate functions. He qualified as a Chartered Accountant in 1991 and holds a Bachelor of Science (in Biotechnology) from the University of Reading in the UK. |

T Di Pietro (Appointed 16 August 2013)

- | | |
|------------------|--|
| Responsibilities | - Chief Financial Officer and Company Secretary |
| Qualifications | - B.Com, CPA |
| Experience | - Tony was appointed Finance Manager in March 2004, then Financial Controller in January 2007 before being recently appointed Chief Financial Officer and Company Secretary. Working closely with senior management at Acrux, Tony has been involved in a number of key events including the listing of Acrux on the Australian Stock Exchange and the subsequent capital raising for the Phase 3 development of Axiron. Prior to joining Acrux, Tony held a number of finance positions at companies including ExxonMobil Limited, Wilson Parking Pty Ltd and BHP Limited (prior to the merger with Anglo-Dutch Billiton plc). Tony qualified as a CPA in 2000 and holds a Bachelor of Commerce Degree from Swinburne University. |

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DIRECTORS' REPORT

Directors' Meetings

The number of meetings of the board of Directors and of each Board Committee held during the financial year and the numbers of meetings attended by each Director were as follows:

DIRECTORS	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			AUDIT & RISK		HUMAN CAPITAL	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R Dobinson	9	9	-	2*	-	1*
B Parncutt ¹	9	9	2	2	1	1
R Barrow ²	9	9	2	2	1	1

1 Appointed Non-Executive Director 30 April 2012.

2 Appointed Non-Executive Director 1 April 2012.

* Attended by invitation.

Directors' and Executives' Interests in Shares and Options

Directors' and Executives' relevant interests in shares of Acrux Limited and options over shares in the Company as at 30 June 2013 are detailed below:

	Total No. of Shares	Total No. of Options
Directors		
R Dobinson	1,372,593	-
B Parncutt	718,137	-
R Barrow	9,375	-
Executives		
J Pilcher	100,000	-
C Blower	-	-
Total	2,200,105	-

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 23 to the financial statements.

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DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-Audit Services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the Board of Directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners (Melbourne) and network firms of Pitcher Partners are detailed below.

	2013	2012
Amounts paid or payable to Pitcher Partners (Melbourne) for non-audit services for non-audit services:	\$ Nil	\$ Nil
Amounts paid or payable to network firms of Pitcher Partners for non-audit services:	Nil	Nil
Amounts paid or payable to non-related auditors of group entities for non-audit services:	Nil	Nil
Total auditors' remuneration for non-audit services	Nil	Nil

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DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

The Directors present the consolidated entity's 2013 remuneration report which details the remuneration information for Acrux Limited's Executive Chairman, non-executive Directors and other key management personnel.

HUMAN CAPITAL COMMITTEE

The Human Capital Committee carries out the following functions in relation to the remuneration of senior management:

- (a) recommending to the Board a policy and framework for senior employees' remuneration which should aim to set remuneration which:
 - (i) is competitive, fair and designed to attract employees of high quality, experience and integrity;
 - (ii) motivates senior employees to pursue the long term growth and success of the Company within the appropriate control framework; and
 - (iii) establishes a clear relationship between the performance of senior management and their remuneration;
- (b) reviewing and recommending to the Board the total individual remuneration package of each member of senior management (including an executive Director), including any bonuses, incentive payments, and participation (including the level of participation) in any share or share option plans in accordance with the policy and framework for senior employees' remuneration;
- (c) reviewing benchmarks against which salary reviews are made;
- (d) reviewing and recommending the establishment and terms of any employee share or share option plan or other incentive plan and recommending any changes to the Board;
- (e) reviewing and recommending on the superannuation arrangements of the Company and its controlled entities; and
- (f) ensuring that equity-based senior management remuneration is made in accordance with thresholds set in plans approved by shareholders.

REMUNERATION POLICY

The main principles of the Company's remuneration policy are:

- remuneration is set at levels intended to attract and retain good performers and to motivate and reward them to continually advance the business of the Company;
- remuneration is structured to reward employees both for superior performance and for increasing long term shareholder value; and
- rewards are linked to the achievement of business objectives as set by the Board.

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DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

REMUNERATION STRUCTURE

The remuneration of employees is structured in two parts:

- **FIXED REMUNERATION**, which comprises salary, superannuation and other benefits in lieu of salary; and
- **VARIABLE REMUNERATION**, which may comprise a short term incentive in the form of cash and a long term incentive in the form of options under the employee share option plan (ESOP). All permanent staff are eligible to participate in the short term incentive plan and the ESOP. However the level of participation varies according to the level of seniority and the ability to influence the performance of the business.

The Company aims to set the level of fixed remuneration at market levels for comparable jobs in the industry in which the Company operates, based on market sources. The Company then aims to set the short and long term incentives to provide for top performers to be remunerated at the upper end of the market, subject to the overall performance of the Company measured against the goals set by the Board.

The aim of both the short term and long term incentive plans is to drive performance to successfully implement annual business plans and to increase shareholder value. No advice from a remuneration consultant was sought during the financial year for the company's remuneration structure.

SHORT TERM INCENTIVE PLAN

The purpose of the short term incentive plan is to reward achievement of business objectives on a year by year basis. Each financial year the Board, in conjunction with senior management, sets the business objectives aimed to be achieved during the year to implement the Company's business plan.

The business objectives are clearly defined outcomes in product development and commercialisation, achievement of which can be readily and objectively measured at the end of the financial year. Measurement of achievement of the business objectives does not involve comparison with factors external to the Company.

Achievement of each objective is expected to create immediate value for shareholders, or secure a material step towards value that will crystallise in a future period. Achievement of the business objectives has significantly increased shareholder wealth over the 5 years ending 30 June 2013. Shareholder returns in the form of tax-free share price increase and dividends are shown in the table below. Total return over the 5 years was \$2.97 per share, tax-free, compared with a share price at 30 June 2008 of \$1.22. Comparison of the achievement of objectives and shareholder returns for an individual year is not meaningful, because the value may crystallise in a future year. The Company's earnings in each of the 5 years ended 30 June 2013 are not relevant to the impact of performance on shareholder wealth, because the Company has invested in product development over several years before becoming profitable and earning regular revenue.

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DIRECTORS' REPORT

REMUNERATION REPORT

Financial year	Closing share price (\$)	Share price increase (\$)	Dividend (\$ per share)
2007/08	1.22		
2008/09	1.13	(0.09)	
2009/10	1.81	0.68	
2010/11	3.39	1.58	0.60
2011/12	4.25	0.86	
2012/13	3.51	(0.74)	0.08
Total		2.29	0.68

There are different levels of the short term incentive plan, with senior executives, other than executive Directors, able to achieve annual incentives up to 24% of fixed remuneration.

The key principles of the plan are:

- Payments under the short term incentive plan are at the discretion of the Board.
- The amount of at-risk remuneration payable under the short term incentive plan is dependent upon the overall level of achievement of the year's business objectives.
- The level of achievement of the business objectives is assessed by the Board at the end of each year.
- For staff other than senior executives, achievement of personal objectives set for the financial year may also form part of their assessment for short term incentive plan payments.

LONG TERM INCENTIVE PLAN

The purpose of the long term incentive plan is to align the interests of senior executives and other employees more closely with those of the shareholders towards long term sustained superior performance. Long term incentive plan instruments are designed to meet the requirements of ASX Listing Rules and the Company's status as a Pooled Development Fund. The current long term incentive plan consists of options to acquire ordinary shares, with the following terms:

- The options expire three years after grant;
- The options lapse on termination of employment, other than through death or redundancy; and
- The exercise price is set at a 25% premium to the volume weighted average market price of the Company's shares on the grant date.

The Board evaluates the effectiveness of existing and potential long term incentive plans as the business environment changes.

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DIRECTORS' REPORT

REMUNERATION REPORT

REMUNERATION AND TERMINATION ENTITLEMENTS OF EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

The director and management services of the Executive Chairman Ross Dobinson are provided by Espasia Pty Ltd. The contract for services can be terminated by either party by giving three months' notice in writing. For the 2012/13 financial year the contract provided for fees of \$118,000 per annum in respect of director services, \$160,000 per annum in respect of executive services and an additional payment of up to 60% of the executive services, dependent on the achievement of objectives, set by the Board. The Board has absolute discretion over the amount of the additional payment. The fees for executive services were increased from \$160,000 to \$200,000, effective 1 July 2013.

Other senior executives have no fixed term of employment and either party may terminate the employment contract on periods of written notice of three months. The employment contracts contain no other entitlement to termination benefits in addition to statutory entitlements.

Names and positions held by executives of the consolidated entity in office at any time during the financial year are:

Executives	Position
J Pilcher	Chief Financial Officer and Company Secretary
C Blower	Chief Technical Officer

The following changes occurred after reporting date:

Executives	Position	Appointed/Resigned/Title Change
J Pilcher	Chief Financial Officer and Company Secretary	Resigned 16 August 2013
C Blower	Chief Operating Officer	Title Change 19 August 2013
N Webster	Commercial Director	Appointed 1 July 2013
T Di Pietro	Chief Financial Officer and Company Secretary	Appointed 16 August 2013

Share Options

(a) Compensation Options: Granted and vested during the year

No options over unissued ordinary shares were granted by Acrux Limited, or vested, during the financial year to Directors and Executives as part of their remuneration. A total of 600,000 employee share options were issued to Executives on 31 July 2013. These options are exercisable at \$4.30 per share until 31 July 2016. A further 600,000 share options with the same terms are proposed to be issued to executive chairman, Ross Dobinson, subject to shareholder approval at the 2013 Annual General Meeting.

(b) Shares issued on exercise of compensation options

No ordinary shares were issued to Directors and Executives on exercise of compensation options during or since the end of the financial year.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

DIRECTORS' REPORT
REMUNERATION REPORT

Details of the remuneration of the Executives are set out in the following table:

	Primary		Post employment	Termination Benefits	Equity	TOTAL	Equity as % of Total	Bonus as % of Total
	Salary	Bonus*	Super		Options		%	%
2013	\$	\$	\$	\$	\$	\$	%	%
J Pilcher	238,530	34,348	16,470	-	-	289,348	0%	12%
C Blower	203,530	29,308	16,470	-	-	249,308	0%	12%
	442,060	63,656	32,940	-	-	538,656	0%	12%
2012								
J Pilcher	216,172	15,564	15,775	-	-	247,511	0%	6%
C Blower	167,704	12,074	15,775	-	-	195,553	0%	6%
H Alsop ¹	128,695	-	10,516	-	-	139,211	0%	0%
	512,571	27,638	42,066	-	-	582,275	0%	5%

* Bonus relates to achievement of objectives for the financial year. The amount of bonus earned was 60% of the maximum amount payable for the 2012/13 financial year and 30% for the 2011/12 financial year.

¹ Director of Business Development until 2 March 2012.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Human Capital Committee considers the level of remuneration necessary to attract and retain Directors with the skills and experience required by the Company at its stage of development. The Committee then recommends to the Board whether or not the Directors' fees should be put to the shareholders for change.

For the 2012/13 financial year Directors' fees were \$65,400 per annum, including superannuation for each non-executive director. The fees were increased to \$76,475 per annum, including superannuation, effective 1 July 2013. At the 2004 Annual General Meeting shareholders set the maximum aggregate amount of non-executive Directors' fees at \$450,000. In addition non-executive Directors are entitled to re-imbursement of reasonable expenses incurred by them on Company business.

No retirement allowances are paid to non-executive Directors. No equity based remuneration is paid to non-executive Directors. Non-Executive Directors do not receive any additional remuneration for being members of Board Committees.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

REMUNERATION REPORT

The remuneration of each person who held the position of Director at any time during the financial year is set out in the following table:

	Primary		Post employment	Termination Benefits	Equity	TOTAL	Equity as % of Total	Bonus as % of Total
	Fees \$	Bonus* \$	Super \$	\$	Options \$		%	%
2013								
R Dobinson ¹	305,799	63,360	-	-	-	369,159	0%	17%
B Parncutt ²	60,000	-	5,400	-	-	65,400	0%	0%
R Barrow ³	60,000	-	5,400	-	-	65,400	0%	0%
	425,799	63,360	10,800	-	-	499,959	0%	13%
2012								
R Dobinson	117,996	-	-	-	-	117,996	0%	0%
B Parncutt ²	10,900	-	-	-	-	10,900	0%	0%
R Barrow ³	15,000	-	1,350	-	-	16,350	0%	0%
H K Windle ⁴	12,833	-	41,667	-	-	54,500	0%	0%
B C Finnin ⁵	10,000	-	900	-	-	10,900	0%	0%
R Treagus ⁶	396,136	72,130	25,000	-	-	493,266	0%	15%
	562,865	72,130	68,917	-	-	703,912	0%	10%

* Bonus relates to achievement of objectives for the financial year. The amount of bonus earned was 60% of the maximum amount payable for the 2012/13 financial year and 30% for the 2011/12 financial year.

¹ Appointed Executive Chairman 1 July 2012.

² Appointed Non-Executive Director 30 April 2012.

³ Appointed Non-Executive Director 1 April 2012.

⁴ Resigned as Non-Executive Director 30 April 2012.

⁵ Resigned as Non-Executive Director 31 August 2011.

⁶ Resigned as Managing Director 29 June 2012.

Number of shares held by Key Management Personnel

Directors and Executives	Balance 1/07/2012	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2013
Directors					
R Dobinson	1,372,593	-	-	-	1,372,593
B Parncutt	550,637	-	-	167,500	718,137
R Barrow	-	-	-	9,375	9,375
Executives					
J Pilcher	100,000	-	-	-	100,000
C Blower	-	-	-	-	-
Total	2,023,230	-	-	176,875	2,200,105

**ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT
REMUNERATION REPORT**

Voting and comments made at the company's 2012 Annual General Meeting (AGM)

At the company's most recent AGM, resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report . No comments were made on the remuneration report that was considered at the AGM.

This is the end of the audited remuneration report.

Rounding of Amounts

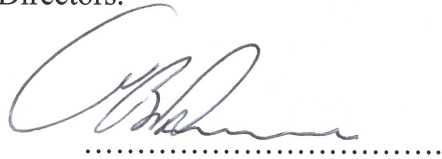
The amounts contained in the report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.



R Dobinson
Executive Chairman

Melbourne
Dated this 26th day of August 2013



B Parncutt
Director

Melbourne
Dated this 26th day of August 2013



AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Acrux Limited

In relation to the independent audit for the year ended 30 June 2013, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

S D WHITCHURCH

Partner

26 August 2013

PITCHER PARTNERS

Melbourne

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 \$'000	2012 \$'000
Revenue	4	16,528	10,465
Foreign exchange gain		132	240
		<u>16,660</u>	<u>10,705</u>
Employee benefits expense	5	(2,009)	(2,630)
External research and development expenses	5	(752)	(905)
Directors' fees		(466)	(211)
Professional fees		(471)	(341)
Royalty expense		(533)	(261)
Occupancy expenses		(400)	(376)
Depreciation and amortisation expenses	5	(1,423)	(349)
Payroll taxes		(75)	(107)
Insurances		(74)	(74)
Other expenses		(416)	(535)
		<u>(6,619)</u>	<u>(5,789)</u>
PROFIT BEFORE INCOME TAX		10,041	4,916
Income tax benefit/(expense)	6	(3,115)	2,475
PROFIT FOR THE YEAR		<u>6,926</u>	<u>7,391</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>6,926</u></u>	<u><u>7,391</u></u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of the parent	16	6,926	7,391
Non-controlling interest	17	-	-
		<u>6,926</u>	<u>7,391</u>
Basic earnings per share (cents per share)	8	4.16	4.44
Diluted earnings per share (cents per share)	8	4.16	4.44

The accompanying notes form part of these financial statements.

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	2013 \$'000	2012 \$'000
CURRENT ASSETS			
Cash and cash equivalents	9	22,840	30,017
Receivables	10	6,825	3,863
TOTAL CURRENT ASSETS		29,665	33,880
NON-CURRENT ASSETS			
Plant and equipment	11	93	110
Intangible assets	12	23,137	24,509
TOTAL NON-CURRENT ASSETS		23,230	24,619
TOTAL ASSETS		52,895	58,499
CURRENT LIABILITIES			
Current tax payable	6	1,675	560
Payables	13	1,256	996
Short term provisions	14	331	322
TOTAL CURRENT LIABILITIES		3,262	1,878
NON-CURRENT LIABILITIES			
Deferred tax liabilities	6	2,860	3,504
Long term provisions	14	20	14
TOTAL NON-CURRENT LIABILITIES		2,880	3,518
TOTAL LIABILITIES		6,142	5,396
NET ASSETS		46,753	53,103
EQUITY			
Contributed equity	15	95,873	95,825
Reserves	16(a)	-	4
Retained earnings	16(b)	(49,120)	(42,726)
Equity attributable to the owners of Acrux Limited		46,753	53,103
Non-controlling interests	17	-	-
TOTAL EQUITY		46,753	53,103

The accompanying notes form part of these financial statements.

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance as at 1 July 2011		95,825	4	(50,117)	45,712
Profit for the period		-	-	7,391	7,391
Total comprehensive income for the year		-	-	7,391	7,391
Transactions with owners in their capacity as owners:					
Contributions	15(b)	-	-	-	-
Employee Share Options Expense	16(a)	-	-	-	-
Lapsed Employee Share Options	16	-	-	-	-
Dividends Paid	7	-	-	-	-
Total transactions with owners in their capacity as owners		-	-	-	-
Balance as at 30 June 2012		95,825	4	(42,726)	53,103
Balance as at 1 July 2012		95,825	4	(42,726)	53,103
Profit for the period		-	-	6,926	6,926
Total comprehensive income for the year		-	-	6,926	6,926
Transactions with owners in their capacity as owners:					
Contributions	15(b)	48	-	-	48
Employee Share Options Expense	16(a)	-	(4)	-	4
Lapsed Employee Share Options	16	-	-	-	-
Dividends Paid	7	-	-	(13,320)	(13,320)
Total transactions with owners in their capacity as owners		48	(4)	(13,320)	(13,276)
Balance as at 30 June 2013		95,873	-	(49,120)	46,753

The accompanying notes form part of these financial statements.

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Entity 2013 \$'000	2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from product agreements		12,528	6,375
Payments to suppliers and employees		(4,833)	(5,610)
Interest received		1,248	1,407
Grant income received		36	21
Taxes paid		(2,644)	(4,625)
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	18(a)	6,335	(2,432)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(30)	(83)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(30)	(83)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issues of ordinary shares		46	-
Dividends paid		(13,413)	(629)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(13,367)	(629)
NET DECREASE IN CASH HELD		(7,062)	(3,144)
Foreign exchange differences on cash holdings		(115)	2
Add cash at the beginning of the year		30,017	33,159
CASH AT END OF YEAR	18(b)	22,840	30,017

The accompanying notes form part of these financial statements.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of presentation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Acrux Limited and controlled entities as a consolidated entity. Acrux Limited is a company limited by shares, incorporated and domiciled in Australia. Acrux Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors as at the date of the directors' report.

Compliance with IFRS

The consolidated financial statements of Acrux Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Critical accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Acrux Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

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

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-consolidated from the date that control ceases.

Non-controlling interests in the results of the subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue recognition

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rate applicable to the financial assets.

Revenue from rendering of services to customers is recognised in the period in which the service was performed for the customer.

Revenue from product agreements is made up of milestone payments and revenue relating to product sales. Revenue from milestone payments is recognised upon completion of the milestone, which is the trigger point for the right to receive the revenue. Revenue relating to product sales, such as royalties and distribution fees, is recognised in the period in which the sales occur.

Government grants are recognised at fair value where there is a reasonable assurance that the grant will be received and all grant conditions will be met. Revenue from the receipt of contracted grants is recognised in the period the monies associated with the grants are expensed.

Other revenue is recognised as received or over the time period to which it relates.

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

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less, held at call with financial institutions.

(e) Plant and equipment

Cost

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all fixed assets are calculated on a straight line basis over their estimated useful lives to the entity 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.

The useful lives for each class of assets are:

	2013	2012
Leasehold improvements:	Not Applicable	Not Applicable
Plant and equipment:	2.5 to 14 years	2.5 to 14 years

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Lease payments for operating leases are recognized as an expense on a straight-line basis over the term of the lease.

(g) Intangibles

The intangible assets are recognised at cost at the date of acquisition. The balances are reviewed annually and any balances representing probable future benefits that are no longer anticipated are written off.

Intellectual Property

Acquired intellectual property is initially recorded at cost. Intellectual property with a finite life is carried at cost less any accumulated amortisation and any impairment losses. The intellectual property is amortised over the useful life of the relevant patents. The useful life is approximately 13 years. Amortisation expense is included in 'Depreciation and amortisation expenses' of the Statement of Comprehensive Income.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred.

Product development costs are capitalised only when each of the following specific criteria has been satisfied:

1. Technical feasibility of completing development of the product and obtaining approval by regulatory authorities.
2. Ability to secure a commercial partner for the product.
3. Availability of adequate technical, financial and other resources to complete development of the product, obtain regulatory approval and secure a commercial partner.
4. Reliable measurement of expenditure attributable to the product during its development.
5. High probability of the product entering a major pharmaceutical market.

Capitalised development costs have a finite life and are amortised on a systematic basis over the period from first commercial sale of the product and cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB5 and the date that the asset is derecognised.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangibles (Continued)

The estimated useful life and total economic benefit for each asset are reviewed at least annually. During the year the expected pattern of consumption of future economic benefits has been reassessed and the carrying amount of the asset will be amortised based on a straight line basis over the remaining useful life of 18 years. Previously the useful life of each asset and the total economic benefits that would be generated by the asset over its useful life was estimated and the asset cost was divided by the total economic benefits resulting in an amount of cost to be amortised per dollar of economic benefit. The useful life of one asset for which amortisation has commenced is approximately 18 years. Amortisation expense is included in 'Depreciation and amortisation expenses' of the Statement of Comprehensive Income.

(h) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(i) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee benefits

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.

Liabilities arising in respect of wages and salaries, annual leave and any other 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. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when the obligation to pay them arises.

Bonus

The consolidated entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

Share-based payments

The consolidated entity operates an employee share option plan. The bonus element over the exercise price for the grant of options is recognised as an expense in the Statement of Comprehensive Income in the period(s) during which the employee becomes entitled to exercise the options.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. The fair value of options at grant date is determined using a Binomial option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option.

Termination benefits

Termination benefits are payable when employment of an employee is terminated before the normal retirement date.

The consolidated entity recognises a provision for termination benefits when entitlement to contractual benefits arises or when the entity can no longer withdraw the offer of non-contractual benefits.

(k) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial instruments

Non Derivative Financial Instruments

Financial Assets

Trade receivables are carried at full amounts due less any provision for impairment. A provision for impairment is recognised when collection of the full amount is no longer probable. Amounts receivable from other debtors are carried at full amounts due. Other debtors are normally settled 30 days from month end unless there is a specific contract, which specifies an alternative date. Amounts receivable from related parties are carried at full amounts due.

Non-listed investments in controlled entities, for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial Liabilities

Financial liabilities include trade payables, other creditors and inter-company balances.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Trade liabilities are normally settled 30 days from month end.

Derivative Financial Instruments

The consolidated entity holds derivative financial instruments to hedge its risk exposures from foreign currency exchange rate movements.

Hedge accounting

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging transaction, the consolidated entity documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Material changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable. Material changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity in the cash flow hedging reserve. This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby mitigating any exchange fluctuations that would have transpired in the absence of the hedge.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currency translations and balances

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis.

(o) Rounding amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Class Order CO 98/0100 and accordingly, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(p) New accounting standards and interpretations

A number of standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) New accounting standards and interpretations (Continued)

AASB 9 could change the classification and measurement of financial assets and liabilities. The consolidated entity has yet to determine the impact, if any, of the new provisions on any amounts recognised in the financial statements.

The consolidated entity does not expect to adopt the new standard before its operative date. It would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2016.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity is currently assessing which, if any of its current measurement techniques will have to change as a result of the new standard. However, it is not yet possible to provide a reliable estimate of the impact, if any, of these new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The consolidated entity does not expect to adopt the new standard before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Other standards and interpretations, including AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities, have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are not expected to impact on the financial information presented.

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NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates and assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying value of assets and liabilities, discussed below:

(a) Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and that it will comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future tax profits will be available to utilise those temporary differences.

(b) Impairment Testing

The Company uses discounted cash flow models to determine that the parent entity's investments in and loans to its subsidiaries, and the capitalised development costs in the consolidated entity, are not being carried at a value that is materially in excess of recoverable value. The models value each product or potential product by estimating future cashflows and discounting the future net cash flows for the probability of successful commercialisation, as well as for the time value of money using a discount rate of 11%. Revenue from a product is estimated using current market data and projections of market growth and potential market share.

(c) Employee Benefits

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. These estimates are based on historical trends.

(d) Share based payments

The group operates an employee share option plan. The bonus element over the exercise price for the grant of options is recognised as an expense in the Statement of Comprehensive Income in the period(s) when the benefit is earned. The value of the bonus element is calculated using a Binomial option pricing model. This model requires the input of a number of variables including an estimate of future volatility and a risk free interest rate. Volatility is estimated based on the historical movements in the Company's share price since listing on the Australian Stock Exchange. The risk free interest rate is the Reserve Bank of Australia's cash rate at the options grant date. The value from the pricing model is discounted to reflect the probability of staff remaining employed during the vesting period of the options, based on the historical staff turnover rate.

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NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Amorisation of Capitalised Research and Development Expenditure

During the year the expected pattern of consumption of future economic benefits has been reassessed and the carrying amount of the asset will be amortised based on a straight line basis over the remaining useful life of 18 years. Previously the useful life of each asset and the total economic benefits that would be generated by the asset over its useful life was estimated and the asset cost was divided by the total economic benefits resulting in an amount of cost to be amortised per dollar of economic benefit.

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The consolidated entity is exposed to a variety of financial risks comprising:

- (a) Interest rate risk
- (b) Currency risk
- (c) Credit risk
- (d) Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at 30 June 2013 are shown in the table on the following page. Cash is the only financial asset or liability that is exposed to interest rate risk. A change in the average effective interest rate of 1% applied to the cash balances at 30 June 2013 of \$22.8 million would change the net profit and equity of the consolidated entity by approximately \$0.2 million (2012: \$0.2 million).

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NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

At 30 June 2013, the consolidated entity had financial instruments with carrying amounts as shown in the following table:

Financial Instruments	Fixed interest rate maturing in:						Total carrying as per the Balance Sheet		Weighted effective interest rate	
	Floating interest		1 year or less		Non interest					
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 %	2012 %
<i>(i) Financial assets</i>										
Cash	3,486	2,983	19,353	27,033	1	1	22,840	30,017	3.9	5.5
Receivables	-	-	-	-	6,825	3,863	6,825	3,863		
Total financial assets	3,486	2,983	19,353	27,033	6,826	3,864	29,665	33,880		
<i>(ii) Financial liabilities</i>										
Trade creditors	-	-	-	-	135	193	135	193		
Sundry creditors and accruals	-	-	-	-	1,121	803	1,121	803		
Total financial liabilities	-	-	-	-	1,256	996	1,256	996		

The net fair value of the financial assets and financial liabilities at 30 June 2013 was not materially different to the carrying amounts as disclosed in the balance sheet and notes to the financial statements.

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NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The consolidated entity is exposed to material currency risks due to revenue denominated in US dollars. Currency risk management strategies are regularly reviewed.

Bank accounts denominated in US dollars are maintained in order to facilitate receipts and payments. Cash reserves at 30 June 2013 included \$0.7 million (2012: \$0.3 million) denominated in US dollars. A change of 10% in the AUD/USD exchange rate at 30 June 2013 would have immaterial impact on the net profit and equity of the consolidated entity.

During the reporting period, exchange rate risk was managed by eliminating US dollar revenue in excess of US dollar expenditure through spot and short-term forward sales of US dollars. Forward exchange contracts are entered into in order to sell specified amounts of US dollars in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect against unfavourable exchange rate movements for both the contracted and anticipated transactions undertaken in foreign currencies.

The accounting policy for forward exchange contracts is detailed in Note 1(1).

At balance date, the details of outstanding forward exchange contracts are:

Buy Australian Dollars	Sell United States Dollars		Average Exchange	
	2013	2012	2013	2012
	\$'000	\$'000	\$	\$
Less than 6 months	2,000	1,800	1.0309	0.9755

During the reporting period, the consolidated entity received revenues of \$10.5 million denominated in US dollars. Payments of royalties from Eli Lilly under the Axiron licence agreement comprised the majority of the revenue denominated in US dollars. A change of 10% in the AUD/USD rate at balance date would change the consolidated net profit and equity by approximately \$1.0 million (2012: \$0.4 million).

In future periods, material amounts of revenue are expected to be received in US dollars as royalties and potential sales milestone payments under the Axiron agreement are payable in US dollars.

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NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk of recognised financial assets at balance date, excluding the value of any collateral or other security, is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

Cash reserves form the majority of the consolidated entity's financial assets at 30 June 2013. Acrux Limited is a Pooled Development Fund. The Pooled Development Fund Act restricts the investment of cash reserves to deposits with an Australian bank licensed to take deposits. This policy is also followed for all cash held by the other companies within the consolidated entity. At 30 June 2013, cash was deposited with two different banks in order to spread risk and ensure interest rate competitiveness.

At 30 June 2013 the consolidated entity had a material credit risk exposure to Eli Lilly and Company and its subsidiaries. The receivables recorded on the consolidated entity's balance sheet contains an amount of \$5.7 million due from Eli Lilly under the licence agreement for the commercialisation of Axiron. During future reporting periods, the consolidated entity is expected to continue to have a material credit exposure to Eli Lilly and Company and its subsidiaries, due to the royalties and milestone payments expected. At 30 June 2013, Eli Lilly's credit ratings were AA-(S&P) and A2 (Moody's). The credit rating and financial health of Eli Lilly are monitored regularly. The grant of the license under the license agreement is subject to payment by Eli Lilly of the amounts in accordance with the agreement.

The consolidated entity had a credit risk exposure at the end of financial year for the reporting period and comparative period, in relation to derivative financial instruments, arising from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The financial liabilities of the consolidated entity at the balance date are all expected to mature within three months of the balance date. The consolidated entity has sufficient cash reserves, \$22.8 million (2012: \$30.0 million) to settle these liabilities and to fund operating expenditure for the foreseeable future. The consolidated entity does not have an overdraft or loan facility. The maturity profile of the consolidated entity's cash term deposits is actively managed and compared with forecast liabilities to ensure that sufficient cash is available to settle liabilities as they fall due.

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For the financial year ended 30 June 2013

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(e) Fair values

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

Financial asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

Forward exchange contracts are level 2 on the fair value hierarchy.

NOTE 4: REVENUE

	2013	2012
	\$'000	\$'000
Revenues from operating activities		
Revenue from product agreements	15,549	8,797
Grant revenue	36	21
Total revenues from operating activities	<u>15,585</u>	<u>8,818</u>
Other revenues		
Interest	943	1,647
Total revenues from non-operating activities	<u>943</u>	<u>1,647</u>
Total revenues from continuing operations	<u><u>16,528</u></u>	<u><u>10,465</u></u>

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NOTE 5: PROFIT FROM CONTINUING OPERATIONS

	Notes	2013 \$'000	2012 \$'000
Profit from continuing operations before income tax has been determined after the following specific expenses:			
Employee benefits expense			
Wages and salaries		1,833	2,417
Workers' compensation costs		7	8
Superannuation costs		150	182
Training expenses		19	23
Total employee benefits expense		<u>2,009</u>	<u>2,630</u>
Depreciation of non-current assets			
Plant and equipment		51	91
Total depreciation of non-current assets		<u>51</u>	<u>91</u>
Amortisation of non-current assets			
Intellectual property		95	95
Research and development		1,277	163
Total amortisation of non-current assets		<u>1,372</u>	<u>258</u>
Total depreciation and amortisation expenses		<u>1,423</u>	<u>349</u>
Rental expense on operating leases		272	262
External research and development expenses		752	905

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NOTE 6: INCOME TAX

	2013	2012
	\$'000	\$'000
(a) Income tax recognised in profit or loss:		
Current tax	3,391	1,133
Deferred tax	(644)	(1,991)
(Over)/under provision in prior years	368	(1,617)
Income tax expense/(credit) attributable to profit	<u>3,115</u>	<u>(2,475)</u>
(b) Reconciliation of income tax expense		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit before tax from continuing operations	<u>10,041</u>	<u>4,916</u>
Prima facie income tax payable on profit before income tax at 30% (2012: 15.0% for parent entity and 30.0% for subsidiaries)	3,012	1,503
Add/(subtract) tax effect:		
Parent entity 15% tax rate ¹	111	-
Parent entity tax on unfranked dividend income	1,350	-
Parent entity tax credit on franked dividend income	(963)	-
Non deductible expenses	4	95
Research and development tax incentive	(35)	(77)
Foreign tax credits written off	-	(5)
(Over)/under provision in prior years	(86)	(1,623)
Previously unrecognised tax losses	(279)	-
Previously unrecognised temporary differences	-	(2,372)
Tax losses and temporary differences not brought to account	-	4
	<u>102</u>	<u>(3,978)</u>
Income tax expense/(benefit) attributable to profit	<u>3,115</u>	<u>(2,475)</u>
(c) Current tax		
Opening balance	560	5,669
(Over)/under provision in prior years	368	(1,623)
Provision for current year	3,692	1,596
Tax losses transferred from deferred tax	(301)	(463)
Tax payments	(2,644)	(4,619)
Current tax (asset)/liability	<u>1,675</u>	<u>560</u>

¹The parent entity, Acrux Limited is a Pooled Development Fund (PDF):

- PDF's are taxed at 15% on income and gains from investments in small to medium enterprises;
- PDF's are taxed at 25% on other income
- Groups containing a PDF are not permitted to consolidate for tax purposes.

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NOTE 6: INCOME TAX (Continued)

(d) Deferred tax balances

	Opening balance	Over- provision	Transferred to current	Recognised in profit or	Closing balance
2013					
Deferred Tax Liability					
Temporary differences	\$'000	\$'000	\$'000	\$'000	\$'000
Intangible assets	(6,899)	-	-	383	(6,516)
Accruals and provisions	19	-	-	3	22
Exchange differences	1	-	-	37	38
Accrued interest	(28)	-	-	25	(3)
Total Deferred Tax Liability	(6,907)	-	-	448	(6,459)
Deferred Tax Assets					
Temporary differences					
Accruals and provisions	101	-	-	4	105
Leasehold improvements	216	-	-	(11)	205
Patent expenses	693	-	-	(14)	679
Exchange differences	-	-	-	(1)	(1)
Accrued interest	(85)	-	-	66	(19)
Share issue expenses	2	-	-	(1)	1
	927	-	-	43	970
Unused tax losses and credits					
Tax losses	2,476	454	(301)	-	2,629
Total Deferred Tax Asset	3,403	454	(301)	43	3,599
Total Deferred Tax Balance	(3,504)	454	(301)	491	(2,860)
2012					
Deferred Tax Liability					
Temporary differences	\$'000	\$'000	\$'000	\$'000	\$'000
Intangible assets	(6,948)	-	-	49	(6,899)
Accruals and provisions	28	-	-	(9)	19
Exchange differences	46	-	-	(45)	1
Accrued interest	(16)	-	-	(12)	(28)
Total Deferred Tax Liability	(6,890)	-	-	(17)	(6,907)
Deferred Tax Assets					
Temporary differences					
Accruals and provisions	151	(12)	-	(38)	101
Leasehold improvements	228	-	-	(12)	216
Patent expenses	606	-	-	87	693
Exchange differences	9	-	-	(9)	-
Accrued interest	(27)	1	-	(59)	(85)
Share issue expenses	33	(11)	-	(20)	2
	1,000	(22)	-	(51)	927
Unused tax losses and credits					
Tax losses	395	2,399	(463)	145	2,476
Total Deferred Tax Asset	1,395	2,377	(463)	94	3,403
Total Deferred Tax Balance	(5,495)	2,377	(463)	77	(3,504)

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NOTES TO THE FINANCIAL STATEMENTS

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2013	2012
\$'000	\$'000

NOTE 6: INCOME TAX (Continued)

(e) Deferred tax assets not brought to account

Temporary differences

(328)	(322)
-------	-------

Tax losses

5,834	6,405
-------	-------

5,506	6,083
5,506	6,083

NOTE 7: DIVIDENDS

(a) Dividends paid

Dividends paid at 8 cents per share, unfranked

(2012: no dividends paid)

13,320	-
13,320	-

Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years:

22,549	19,909
22,549	19,909

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NOTES TO THE FINANCIAL STATEMENTS

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	2013	2012
	\$'000	\$'000
NOTE 8: EARNINGS PER SHARE		
Profit from continuing operations	6,926	7,391
Profit used in calculating basic and diluted earnings per share	6,926	7,391
	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	166,504,999	166,496,711
Effect of dilutive securities:		
Employee Share Options	-	12,120
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	166,504,999	166,508,831
Basic earnings per share (cents)	4.16	4.44
Diluted earnings per share (cents)	4.16	4.44

NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank	3,487	2,984
Deposits at call	19,353	27,033
	22,840	30,017

NOTE 10: RECEIVABLES

CURRENT		
Trade receivables	6,591	2,293
Other receivables	115	1,425
Prepayments	119	145
	6,825	3,863

(a) Provision for impairment

No trade receivables are past due and all trade receivables are non interest bearing with 30 or 60 day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment losses have been recognised for reported periods. All trade receivables are expected to be received within trading terms.

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NOTE 11: PLANT AND EQUIPMENT

	Notes	2013 \$'000	2012 \$'000
Leasehold Improvements			
At cost		1,115	1,115
Accumulated amortisation		(1,115)	(1,115)
Total leasehold improvements	11(a)	-	-
Plant and Equipment			
At cost		168	439
Accumulated depreciation		(75)	(329)
Total plant and equipment	11(a)	93	110
Total plant and equipment		93	110

(a) Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year:

Leasehold improvements

Carrying amount at beginning	-	-
Additions	-	-
Amortisation expense	-	-
	-	-

Plant and equipment

Carrying amount at beginning	110	126
Additions	38	75
Disposals	(4)	-
Depreciation expense	(51)	(91)
	93	110

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NOTE 12: INTANGIBLE ASSETS

	Notes	2013 \$'000	2012 \$'000
Intellectual Property			
At cost		1,200	1,200
Accumulated amortisation		(854)	(759)
	12(a)	<u>346</u>	<u>441</u>
Capitalised Development			
Ellavie™			
External research and development expenses		766	766
Employee benefits capitalised		169	169
Other capitalised amounts		136	136
	12(a)	<u>1,071</u>	<u>1,071</u>
Axiron™			
External research and development expenses		17,415	17,415
Employee benefits capitalised		3,353	3,353
Other capitalised amounts		2,403	2,403
Accumulated amortisation		(1,451)	(174)
	12(a)	<u>21,720</u>	<u>22,997</u>
Net carrying amount		<u>22,791</u>	<u>24,068</u>
Total intangible assets		<u>23,137</u>	<u>24,509</u>

(a) Reconciliations

Reconciliations of the carrying amounts of intellectual property and capitalised development at the beginning and end of the current financial year.

Intellectual Property

Carrying amount at beginning	441	536
Amortisation expense	(95)	(95)
	<u>346</u>	<u>441</u>

Capitalised Development

Ellavie™

Carrying amount at beginning	1,071	1,071
Additions	-	-
	<u>1,071</u>	<u>1,071</u>

Axiron™

Carrying amount at beginning	22,997	23,160
Additions	-	-
Amortisation	(1,277)	(163)
	<u>21,720</u>	<u>22,997</u>

The remaining useful life of Axiron Capitalised Development is approximately 17 years.

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	2013	2012
	\$'000	\$'000
NOTE 13: PAYABLES		
CURRENT		
Trade creditors	135	193
Sundry creditors and accruals	1,121	803
	<u>1,256</u>	<u>996</u>
NOTE 14: PROVISIONS		
CURRENT		
Employee entitlements	<u>331</u>	<u>322</u>
NON-CURRENT		
Employee entitlements	<u>20</u>	<u>14</u>
Aggregate employee entitlements liability	<u>351</u>	<u>336</u>

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NOTE 15: CONTRIBUTED EQUITY

	2013		2012	
(a) Issued and paid up capital	No. of Shares	\$'000	No. of Shares	\$'000
Ordinary shares fully paid	166,521,711	95,873	166,496,711	95,825
(b) Movements in shares on issue				
Beginning of the financial year	166,496,711	95,825	166,496,711	95,825
Issued during the year:				
- Employee share option plans	25,000	46	-	-
Less Capital Raising Expenses	-	(2)	-	-
Fair value of shares issued on exercise of employee share options	-	4	-	-
Contributions from share issues	25,000	48	-	-
At reporting date	166,521,711	95,873	166,496,711	95,825

(c) Share Options

Employee Share Option Plan

The consolidated entity operates an employee share option plan. During the financial year 25,000 options were exercised, no new options were issued under the plan (2012: Nil) and at 30 June 2013 no options remain outstanding from prior issues of options. Options hold no participation rights, but shares issued on exercise of options rank equally with existing shares. No options were held by key management personal.

The closing market value of an ordinary Acrux Limited share on the Australian Stock Exchange at 28 June 2013 was \$3.51.

	2013	2012
	No.	No.
(i) Movement in the number of share options held under Employee Share Option Plan are as follows:		
Opening balance	25,000	25,000
Granted during the year	-	-
Exercised during the year	(25,000)	-
Lapsed during the year	-	-
Closing balance	-	25,000
	\$'000	\$'000

(ii) Details of share options exercised during the year:

Proceeds from shares issued	46	-
Fair value as at issue date of shares issued during the year	101	-

(iii) Details of lapsed options

No options lapsed during the reporting period.

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NOTE 15: CONTRIBUTED EQUITY (Continued)

(d) Capital Management

When managing capital, the directors' objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

During 2013, management paid dividends of \$13.3 million (2012: Nil). The amounts and ratio of future dividends have not been determined.

NOTE 16: RESERVES AND RETAINED EARNINGS

	Notes	2013 \$'000	2012 \$'000
Share based payment reserve	16(a)	-	4
Retained earnings	16(b)	(49,120)	(42,726)
(a) Share based payment reserve			
(i) Nature and purpose of reserve			
This reserve is used to record the value of equity benefit provided to employees and directors as part of their remuneration. Refer note 15 for details.			
(ii) Movement in reserve			
Balance at the beginning of year		4	4
Transfer fair value of employee shares options to share capital		(4)	-
Employee share option expense for the period (including adjustment for service conditions not met)		-	-
Vested employee share options previously expensed, that lapsed during the period		-	-
Balance at end of year		-	4
(b) Retained earnings			
Balance at the beginning of year		(42,726)	(50,117)
Vested employee share options that lapsed during the period		-	-
Net profit attributable to members of Acrux Limited		6,926	7,391
Accumulated profit/(losses) at reporting date		(35,800)	(42,726)
Dividends paid		(13,320)	-
Accumulated losses at reporting date		(49,120)	(42,726)

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 17: NON-CONTROLLING INTERESTS

	Notes	2013 \$'000	2012 \$'000
Non-controlling interests comprises:			
Contributed equity	17(a)	-	51
Retained earnings	17(b)	-	(51)
		-	-
(a) Non-controlling interests in issued and paid-up capital of controlled entities			
- Cosmeceutic Solutions Pty Ltd - Fully paid ordinary shares		-	51
(b) Retained earnings			
Opening balance		(51)	(51)
- Deregistration of Cosmeceutic Solutions Pty Ltd		51	-
Closing balance		-	(51)

Non-controlling interest related to subsidiary Cosmeceutic Solutions Pty Ltd, which was deregistered on 8 August 2012.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 18: CASH FLOW INFORMATION

	2013	2012
	\$'000	\$'000
(a) Reconciliation of the cash flow from operations with profit after income tax:		
Profit from ordinary activities after income tax	6,926	7,391
Non-Cash Items		
Depreciation and amortisation	1,423	349
Unrealised foreign exchange gains/(losses)	116	(2)
Changes in assets and liabilities		
(Decrease)/increase in tax liabilities	472	(7,100)
Increase in trade and other receivables	(2,952)	(2,913)
Increase/(Decrease) in payables	335	(151)
Increase/(Decrease) in employee entitlements	15	(6)
	<u>(591)</u>	<u>(9,823)</u>
Net cash (outflows)/inflows from operating	<u>6,335</u>	<u>(2,432)</u>

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

– Cash at bank	3,487	2,984
– At call deposits with financial institutions	19,353	27,033
Closing cash balance	<u>22,840</u>	<u>30,017</u>

(c) Credit stand-by arrangement and loan facilities

The consolidated entity has credit card facilities with the National Australia Bank and American Express available to the extent of \$81,000 (2012: \$81,000). As at 30 June 2013 the consolidated entity had unused facilities of \$67,079 (2012: \$47,074).

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 19: COMMITMENTS

	2013	2012
	\$'000	\$'000
Lease expenditure commitments		
<i>Operating leases (non-cancellable)</i>		
<i>(i) Non cancellable operating leases contracted for but not capitalised in the accounts:</i>		
 (ii) Minimum lease payments		
– Not later than one year	258	272
– Later than one year and not later than five years	-	258
– Aggregate lease expenditure contracted for at reporting date	<u>258</u>	<u>530</u>

The operating lease relates to office, laboratory and warehouse facilities for which the lease was renewed by Acrux DDS Pty Ltd for a period of 4 years from 1 June 2010, with an option to extend for a further period of 4 years. The lease contract contains market review clauses in the event that Acrux DDS Pty Ltd exercises its option to renew. The company does not have an option to purchase the leased asset at the expiry of the lease period.

NOTE 20: KEY MANAGEMENT PERSONNEL COMPENSATION

Details of Key Management Personnel Compensation are contained within the Remuneration Report section of the Director's Report. A breakdown of the aggregate components of Key Management Personnel's compensation is provided below:

	2013	2012
	\$'000	\$'000
Compensation by category:		
Short-term employment benefits	995	1,175
Post-employment benefits	44	111
Termination benefits	-	-
Equity	-	-
	<u>1,039</u>	<u>1,286</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 21: KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

Number of shares held by Key Management Personnel

Directors and Executives	Balance 1/07/2012	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2013
Directors					
R Dobinson	1,372,593	-	-	-	1,372,593
B Parncutt ¹	550,637	-	-	167,500	718,137
R Barrow ²	-	-	-	9,375	9,375
Executives					
J Pilcher	100,000	-	-	-	100,000
C Blower	-	-	-	-	-
Total	2,023,230	-	-	176,875	2,200,105

¹ Appointed Non-Executive Director 30 April 2012.

² Appointed Non-Executive Director 1 April 2012.

NOTE 22: LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made to Key Management Personnel during the reporting period.

NOTE 23: RELATED PARTY DISCLOSURES

Wholly-owned group transactions

Loans

Loans were made by Acrux Limited to its subsidiaries under normal terms and conditions. The aggregate amounts receivable from controlled entities by the parent entity at the end of the reporting period were nil (2012: \$193,202).

Loans were made by Acrux Commercial Pty Ltd to its subsidiary, Fempharm Pty Ltd, under normal terms and conditions. The aggregate amount receivable from Fempharm Pty Ltd at the end of the reporting period was \$6,089,596 (2012: \$7,062,206).

Other transactions with Key Management Personnel and their personally-related entities

Any payments made to Key Management Personnel during the financial year, other than remuneration entitlements, related to the reimbursement of business expenses incurred on behalf of Acrux Limited and its subsidiaries.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 24: AUDITOR'S REMUNERATION

	2013	2012
	\$'000	\$'000
Amounts paid and payable to Pitcher Partners for:		
(i) Audit and other assurance services		
– An audit or review of the financial report of the entity and any other entity in the consolidated entity	101	99
– Other assurance services	-	-
	<u>101</u>	<u>99</u>

NOTE 25: SEGMENT INFORMATION

The consolidated entity operates as a single operating segment. Internal management reporting systems present financial information as a single segment. The segment derives its revenue from developing and commercialising products using unique technology to administer drugs through the skin.

Additional information on revenue:

	\$'000	\$'000
Product/Service		
Axiron	14,557	7,415
Recuvyra	-	1,500
Other revenue	2,103	1,790
Total revenue	<u>16,660</u>	<u>10,705</u>
 Country of Origin		
Australia	979	1,668
Outside Australia:		
Switzerland	14,260	6,401
United States	407	2,613
Other	1,014	23
	<u>16,660</u>	<u>10,705</u>

Revenue from Axiron and Recuvyra was received from a single customer.

ACRUX LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 26: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Acrux Limited, financial statements:

	Parent Entity	
	2013	2012
	\$'000	\$'000
(a) Summarised statement of financial position		
Assets		
Current assets	1,277	1,824
Non-current assets	21,527	21,689
Total assets	<u>22,804</u>	<u>23,513</u>
Liabilities		
Current liabilities	441	359
Non-current liabilities	-	-
Total liabilities	<u>441</u>	<u>359</u>
Net assets	<u>22,363</u>	<u>23,154</u>
Equity		
Share capital	95,873	95,824
Current year earnings	12,484	1,796
Retained earnings	(85,994)	(74,470)
Share based payments reserve	-	4
Total equity	<u>22,363</u>	<u>23,154</u>
(b) Summarised statement of comprehensive income		
(Loss)/Profit for the year	12,484	1,796
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>12,484</u>	<u>1,796</u>

ACRUX LIMITED
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AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

NOTE 27: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2013	2012
<i>Parent Entity:</i>			
Acrux Limited	Australia		
<i>Subsidiaries of</i>			
<i>Acrux Limited</i>			
Acrux DDS Pty Ltd	Australia	100%	100%
Acrux Pharma Pty Ltd	Australia	100%	100%
Acrux Commercial Pty Ltd	Australia	100%	100%
Cosmeceutic Solutions Pty Ltd	Australia	-	90%

Cosmeceutic Solutions Pty Ltd was deregistered on 8 August 2012.

Subsidiaries of
Acrux Commercial Pty Ltd

Fempharm Pty Ltd	Australia	100%	100%
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NOTE 28: CONTINGENCIES

There were no contingencies at 30 June 2013 (2012: Nil).

NOTE 29: SUBSEQUENT EVENTS

A total of 1,270,000 options over unissued ordinary shares were granted to employees on 31 July 2013.

There has been no other matter or circumstance, which has arisen since 30 June 2013 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2013, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2013, of the consolidated entity.

NOTE 30: COMPANY DETAILS

The registered office of the company is:

Acrux Limited
103 – 113 Stanley Street
West Melbourne VIC 3003

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 19 to 53 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- (b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
- (c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2013 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Acrux Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the executive chairman and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2013.

This declaration is made in accordance with a resolution of the directors.



R Dobinson
Executive Chairman



B Parncutt
Director

Melbourne
Dated this 26th day of August 2013

Melbourne
Dated this 26th day of August 2013



ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ACRUX LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Acrux Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

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



ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ACRUX LIMITED

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Acrux Limited and controlled entities 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 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Acrux Limited and controlled entities for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

S D WHITCHURCH
Partner

Date 26 August 2013

PITCHER PARTNERS
Melbourne