NuSep

Experts in protein discovery

Annual Report 2013

What is PrIME

PrIME stands for Preparative Isolation Membrane Electrophoresis. The PrIME Technology is a platform technology that separates charged particles using a combination of electrical charge and size separation membranes. The PrIME Technology has a wide range of potential applications from water purification through to separating viruses.

The first two commercial applications of the PrIME Technology are:

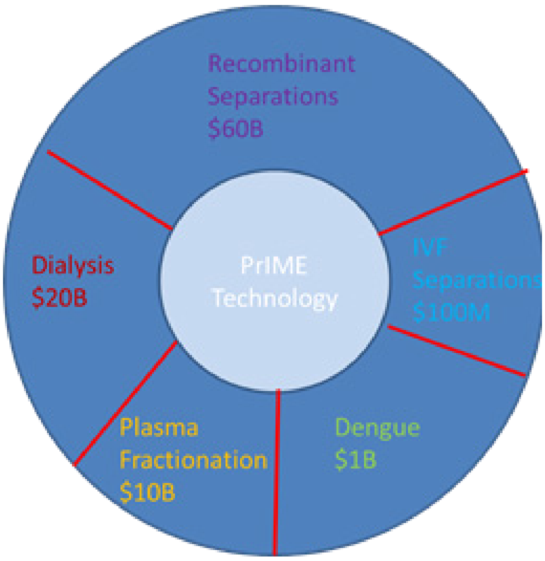
- **Therapeutic Plasma Products**

  PrIME Biologics – Current market size US$10B;

- **Isolation of Healthy Sperm for IVF**

  SpermGen – Current market size US$300M.

There are a number of other applications of the PrIME Technology for which initial proof of principle work has been undertaken including:



In all of these applications the PrIME Technology offers significant advantages over the current processes including cost, higher purity and added safety. Significantly there are many other applications of the PrIME Technology that NuSep can commercialise in the future.

The NuSep Business Model

Over the last three years NuSep has developed the plasma protein application of the PrIME technology to the point that it can now be externally funded. This is a critical milestone as it validates the commercial viability of this technology and enables NuSep to now develop some of the larger applications of the PrIME technology to commercial reality. NuSep chose the plasma application as the shortest route to validate the PrIME technology. It will also provide the fastest time to commercial returns for NuSep via both equipment and consumable membrane sales. NuSep can now look beyond the plasma application as this business will be demerged from NuSep early in the year 2014.

Having validated the business model NuSep will now develop the next applications of the PrIME technology including:

- IVF Sperm Separation; and
- Dengue diagnostic.

As new applications of the PrIME Technology are developed, NuSep will receive additional sales of equipment and consumables. Simply put, each new PrIME Technology application is adding an additional consumable razor blade income stream for NuSep. Ultimately, NuSep will become a consumable membrane company supplying consumable membranes for many different applications.

Applications beyond IVF and Dengue

In determining which applications of the PrIME Technology to develop beyond the IVF and Dengue applications, NuSep will select applications that better meet existing market requirements of medium to large size markets. Selection will also be based upon the shortest time to market and therefore the shortest path to a profitable revenue stream. Developing new applications will also involve developing consumable membranes and separation conditions to produce a faster, purer and/or higher yielding process than currently exists. Any new PrIME application will be ranked on a return on capital basis before a final selection will be made.

Expected Commercial Returns from Developments of the PrIME Technology

As each new application of the PrIME technology is developed NuSep expects to generate commercial returns via:

- Sale of PrIME Technology equipment;
- Sale of consumable membranes; and
- Sale of the application to a commercial organisation.

In most cases, it is also anticipated that there will be an ongoing royalty income stream for the life of the patents relating to each specific application.

Sale of PrIME Technology Equipment

The initial income stream for each new application will be the supply of a PrIME unit. Depending on the application this could be a small laboratory scale instrument (IVF) or a large scale manufacturing unit costing several million dollars (recombinant products). Separately to these specific applications, NuSep also sells a research version of the PrIME Technology called the ProteomeSep. This instrument will enable other researchers to develop their own applications of the PrIME Technology for which NuSep will then supply membranes. As an example of this approach, the IVF application was originally developed by Professor John Aitken of the University of Newcastle.

Sale of the Consumable Membranes

Every new application of PrIME will require a perpetual ongoing supply of the consumable membranes. Thus each new application becomes a new annuity income stream for NuSep. NuSep has intellectual property covering the membrane manufacturing process and the disposable cartridge concept. Additional intellectual property will be created to protect each application. It is expected that in most cases the consumable membranes will also contain a royalty component, as the membranes form the heart of the PrIME Technology. Ultimately, it will be the consumable membrane income stream that will create the most value for NuSep. In time NuSep will become a consumable membranes company. This is the sustainable business that the PrIME Technology will create for NuSep.

Sale of the Applications

Each of these applications is targeted at a specific customer market. NuSep's skill lies in developing new applications and manufacture of the consumable membranes. So that NuSep can concentrate on what it does best (new PrIME Technology developments and membrane manufacture), the Company will sell each of these applications to organisations that can best develop the end customer market for each of these applications. The sale of each application will be dealt with separately and could take many different forms including, a cash sale, demerger followed by public listing and or management buyout/joint venture.

First Application - Therapeutic Plasma Products

The Problem

- Acute Shortage of Asian Emergency Plasma Protein Drugs; and
- The Raw Material (plasma) is currently discarded.

The Solution

- PrIME opens $2b Asian market by processing; and waste plasma using unique PrIME Technology.

Investment Return

- Create multi billion Company;
- Investment of $15m; and
- NPV $77m @20% discount & IRR of 35%.

PrIME Sustainable Competitive Advantage

The PrIME[1] Technology addresses the acute shortage of emergency plasma drugs in Asia by processing the wasted plasma and producing a safer, cheaper locally manufactured product.
PrIME achieves this by:

- Processing the Wasted Plasma;
- High Product Yield, Small batch size & Short production runs;
- Added Product Safety; and
- Low Capital Cost.

Second Application - Isolation of Healthy Sperm for IVF – SpermSep

The Problem

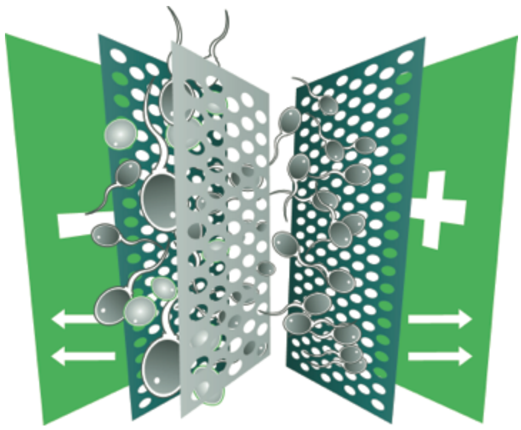
- Low success rate using the exiting process; and
- Potential for sample confusion.

The Solution

- Separate the sperm using a single use disposable PrIME Technology cartridge.

Investment Return

- Create a company focused on supplying the IVF market; and
- Investment under $10m;



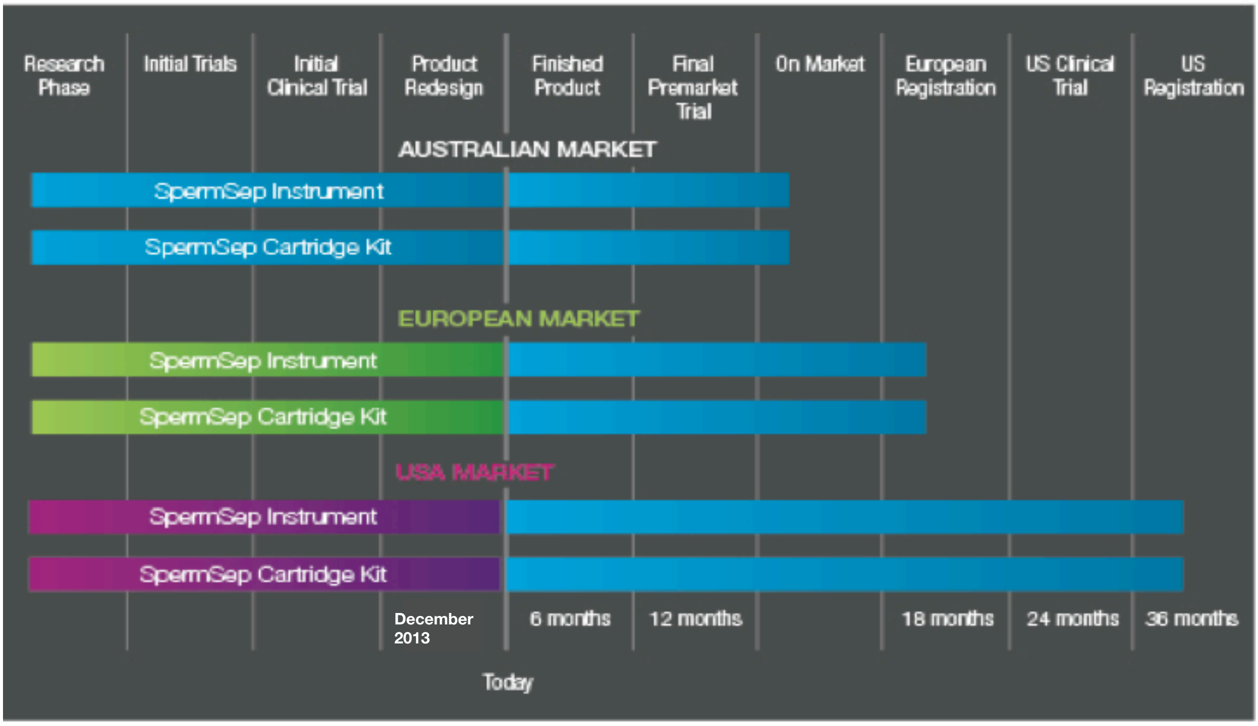
SpermSep Sustainable Competitive Advantage

NuSep is finalising the commercial SpermSep instrument with the intention of starting a pre- market clinical trial by the end of this calendar year. Funding to develop each of these areas will come from the funding inflow from the demerger of PrIME Biologics and other forms of support including government grants that the company can attract

SpermSep - Steps to Market

- Final sale ready instrument and membranes
- Final Clinical study (6-9months)
- Regulatory registration
- We expect first sales in 2014/15 year.

Clinical IVF Product Time Line



A New Application of PrIME: Dengue Diagnostic & Therapeutic

In May 2014, NuSep lodged patents for both the development of a diagnostic and a therapeutic for the treatment of dengue haemorrhagic fever based on the PrIME Technology.

NuSep has selected Dengue as an application of the PrIME Technology as it best met the criteria outlined in the Company's announcement of 20 May 2013, specifically:

- The existing Dengue diagnostics and treatment do not meet the current market needs;
- Dengue represents a large and growing market; and
- The PrIME[1] Technology offers a faster, more accurate and effective alternative.

NuSep has undertaken preliminary work in this area resulting in the lodgement of 4 patent applications. These patent applications cover the use of the PrIME Technology to:

- Provide an effective Blood test for the early Diagnosis of Dengue;
- Produce a hyperimmune plasma product for the treatment of Dengue from recovered patients;
- Provide a dialysis treatment based on removal of viral particles.

As part of this research, NuSep has also shown the ability of PrIME Technology to isolate and purify blood cells such as platelets which are crucial in the treatment of severe dengue. The ability to separate cellular material will have applications in many other areas, not least of which will be blood borne toxin removal.

NuSep will fund the initial work from the repayment of the PrIME Biologics loans once the funding for PrIME is completed. In addition the Company will apply for Government grants both in Australia and in Singapore.

The Market

Dengue is a mosquito-borne viral infection that causes flu-like illness and occasionally develops into a potentially lethal complication called Dengue Haemorrhagic Fever. The global incidence of dengue has grown significantly in the last few decades and according to the WHO, over 2.5billion people or over 40% of the world's population is at risk. Historically Dengue is found globally in tropical and sub-tropical climates, mostly in urban and semi-urban areas. Severe dengue is the leading cause of serious illness and death among children in many Asian and Latin American countries. An estimated 500,000 people with severe dengue require hospitalisation each year and a large proportion of whom are children. About 2.5% of those affected die. ***According to WHO there is no specific treatment for the various forms of dengue but early detection and access to proper medical care lowers fatality rates below 1%***. Thus, the need for an effective early diagnostic procedure to manage the disease. Currently, dengue prevention and control is solely dependent on effective vector control measures, that is, eliminate where possible the *Aedes aegypti* mosquito.

Chairman's Report

It is with great pride following our achievements over the last year, not least of which is the signed Term Sheet with Xeraya Capital, that I report to shareholders.

The number of milestones that NuSep has accomplished this year are a direct result of the groundwork undertaken since we started the plasma project in 2010. I can confidently state that, barring any unforeseen world economic calamity, the funding from Xeraya Capital will flow once PrIME Biologics is demerged from NuSep in early 2014.

The funding of PrIME Biologics represents a watershed moment in NuSep's development. It validates the technology and NuSep's business model. It also ensures NuSep of an ongoing high margin income stream that will enable the Company to fund its future PrIME Technology applications. While the value of PrIME Biologics is several times the total value of NuSep, its real value is the validation of the PrIME technology as a whole. As new applications of the PrIME Technology are developed NuSep shareholders will come to appreciate the critical importance of the plasma validation as it will accelerate the commercialisation of other PrIME Technology applications.

Having spent the last 5 years developing the plasma application along with my business partner, Dr Hari Nair, it's time for us to step down from our roles in NuSep so that we can concentrate on making PrIME Biologics the success it deserves to be. It is also the time to refresh the NuSep Board with new talent, to whom we can hand over the baton, in the full knowledge that they will push forward with the next applications of the PrIME Technology. In many respects, NuSep is running a marathon, and we will have reached the first kilometre mark with the demerger of PrIME Biologics from NuSep.

As many of you are aware, bringing the PrIME Technology to market has not been an easy task. To this end, I would like to thank all of those who have helped make NuSep the success that it is today. In particular, I would like to make a special thanks to:

- **The developers of the PrIME Technology** - particularly Dr Joel Margolis, my father Dr Perry Manusu, Dr Kailing Wang and of course, Dr Hari Nair;
- **Our stoic funders** – particularly, Andrew Goodall, Clifford Eu, the Manusu family and a number of our shareholders who I talk to on a regular basis; and
- **Our supporters** – in particular I would like to thank the Luye group, the EDB, Ascendas, but most importantly my wife, Rosemary, who has suffered through the last 25+ years of my passion to make the PrIME Technology a reality.

Transitions are fraught with danger. Hari and I have given considerable thought to this transition and believe that Prakash Patel's operational skill set along with the biotech and market skills of soon to be elected Chairman, Alison Coutts, offers the best possible combination for ensuring NuSep's future. In addition to their skill sets, the funding that will flow from the PrIME Biologics demerger will provide NuSep the financial resources to see this project through.

Whilst it is with some sadness that I leave the Chairman of NuSep, it is also with much joy, as the Company is now well placed to achieve its full potential. This journey has only been possible because of the team effort of: talented scientists, vision and tenacity of management and finally the support of our shareholders. For this I would like to say THANK YOU.

Mr John Manusu
Chairman

Managing Directors Report

I took over as Managing Director of NuSep in December 2012. I am excited by the potential of the Company and the many other applications of our PrIME technology. The business plan that we have developed over the last year will be more easily implemented with the validation of the PrIME technology in the plasma product area. I look forward to working with the new Chairman to implement this plan and work with her to ensure that the operational transition of the Company is a smooth one.

The 2012/2013 year has seen a number of significant achievements starting with the shipment of the pilot scale current Good Manufacturing Practise **(cGMP)** PrIME unit to Singapore in October 2012. This was the start of the implementation process of the PrIME technology in Singapore and culminated with the signing of the PrIME Biologics funding Letter of Intent **(LOI)** with Xeraya Capital in June 2013. All of these achievements flowed from the decision outlined to shareholders at the AGM in November 2012 to focus NuSep around applications of the PrIME Technology. Without question, NuSep's greatest asset is the PrIME Technology and its associated Intellectual Property (IP). It is worth noting that the PrIME Biologics therapeutic plasma application is just the first, and not even the largest, application of PrIME Technology.

The Financial year also saw;

- the acquisition of the Fractionation Plant in Singapore
- The successful completion of three trial production runs of Human Albumin using its pilot production unit in this cGMP production facility
- The move to the new facility in Homebush, Sydney

The 2013 financial year was significant in the history of NuSep. Not only did we deliver a solid set of results while continuing to invest substantially for the long term, we also took a series of important steps toward becoming a more focused organisation.

In addition to locating and moving into new premises, management has also concentrated on streamlining costs associated with operations of the Company. These costs include productivity improvement in the Gels and Diagnostic Business' and the effective distribution of products with the use of effective distribution channels. With these channels in place we can now look forward to a much improved sales year in the coming financial years.

NuSep expects the key future growth opportunities with its PrIME Technology to deliver an increase in revenues and earnings in the coming years. Strategically, the Company continues to review all business development options available to it to fully unlock the commercial potential within the range of technologies and products the Company currently has or is developing.

Now that the plasma application of the PrIME Technology will soon be demerged from NuSep it is time for the Company to focus on the next applications of the PrIME technology. To this end we have already started work on reactivating the IVF SpermSep application and once funds become available we will start the final clinical trial on the product. In addition, once funds become available we will also start work on the dengue diagnostic application of the PrIME Technology. Both of these applications address unmet market needs and have short timeframes to market.

NuSep is a Company of immense potential and the steps taken operationally this year shows that we are gaining momentum and we are starting to the see the results that that this is the case. With a refreshed board and a renewed focus and aligned management team I expect the company to start performing at the highest level

I would like to thank John Manusu and the current members of the NuSep Board for their support and confidence in me to lead NuSep. I am especially grateful to our loyal employees of NuSep who have always worked to ensure that NuSep is successful. In the end the most important asset for a Biotech company like NuSep is its people and we have the best group around. I look forward to leading the company in 2014 to fulfil its promise.

Mr Prakash Patel
Managing Director

NuSep Holdings Ltd
and its Controlled Entities
ABN 33 120 047 556

Annual Financial Report for the year ended 30 June 2013

Contents

Directors' Report

Your Directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2013.

Directors

The names of the Directors of NuSep Holdings Ltd in office at any time during or since the end of the financial year are:

Mr John Manusu	Chairman	
Dr Hari Nair	Deputy Chairman	(Managing Director until 30 November 2012)
Mr Prakash Patel	Managing Director	(Appointed 1 December 2012)
Mr Andrew Goodall	Non-Executive Director	
Mr Clifford Eu	Non-Executive Director	(Appointed 1 December 2012)
Mr Iain Howard Sorrell	Non-Executive Director	(Resigned 30 November 2012)
Mr David Roffe	Non-Executive Director	(Resigned 30 November 2012)
Mr Ward Wescott	Non-Executive Director	(Resigned 30 November 2012)

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

Company Secretary

The Company Secretary is Mr Prakash Patel, CPA. Mr Patel has held the position of Company Secretary since the appointment of the NuSep Holdings Ltd Board in July 2006. Mr Patel has previously held the role of Chief Financial Officer and then Chief Operating Officer of NuSep Holdings Ltd until November 2012. Mr Patel has a degree in Commerce and is a CPA.

Names, Qualifications, Experiences, Special Responsibilities and Shareholding	**Interest in Shares and listed Options***
John Manusu B.Com, F.Fin. Chairman Member of Audit Committee Mr Manusu became the Chairman of NuSep Holdings Ltd in September 2008. Prior to this he was the Managing Director. Age 54. Mr Manusu has over 20 years experience running biotechnology companies. Throughout this period he has been involved with start ups, turnarounds and mature organisations in the biotechnology space. Mr Manusu has a degree in Commerce and is a Fellow of the Financial Services Institute of Australasia. Mr Manusu has worked in the Australia and US Biotechnology markets and is best described as a biotechnology entrepreneur. Mr Manusu has been a member of the Audit Committee since 1 December 2012. Mr Manusu stepped down from an executive role in NuSep Holdings Ltd in 2012 as part of a corporate restructuring in order to focus on the Singapore PrIME Biologics Pte Ltd subsidiary.	**Direct** 6,297,848 ordinary shares, **Indirect** 842,256 ordinary shares.
Dr. Hari Nair BSc (Hons), PhD (Med & Clin Sci), MAIboil, MOIF (Cambridge) Deputy Chairman Chairman of Remuneration Committee Dr Nair became the Deputy Chairman of NuSep Holdings Ltd in December 2012. Before that Dr Nair was Managing Director and Chief Executive Officer until November 2012. He was Non-Executive Director between July 2006 and September 2008. Age 56. Dr Nair has a PhD in Medicine and Clinical Science from the Australian National University with his specialty in cardiovascular medicine and haematology. Dr Nair has received a number of awards from international organisations including being specially recognised for his role in coagulation research by the ACT government. He has run biotechnology companies in Australia and the US. Dr Nair has been heavily involved in mergers and acquisitions especially in the US and Europe and has US financial experience. Dr Nair has served on the boards of a number of international biotechnology companies and US State Commercialisation Boards. Dr Nair has been the Chairman of the Remuneration Committee since 1 December 2012.	**Direct** 2,143,441 ordinary shares.
Prakash Patel B.A (Comm), CPA Managing Director Mr Patel was appointed the Managing Director and Chief Executive Officer on 1 December 2012, prior to this Mr Patel was the Chief Operating Officer. Age 38. Mr Patel has a degree in Commerce and is a CPA, he has extensive experience holding senior roles in listed multinational companies working in Australia, US and the United Kingdom. Mr Patel has overall responsibility for all aspects of the group operations and has a lead role in commercial decision-making across the business.	**Direct** 338,680 ordinary shares.

Directors' Report

Andrew Goodall Non-Executive Director Chairman of Audit Committee, Member of Remuneration Committee Non-Executive Director since March 2012. Age 48. Mr Goodall has been a significant shareholder in NuSep for a number of years. In addition he is also the Company's largest shareholder. Mr Goodall brings a wealth of commercial experience to the Board. Mr Goodall has extensive experiences in Commercial Property Investment, running successful family companies in Australia and New Zealand.	**Direct** 24,427,189 ordinary shares.
Clifford Eu B.E. (Elec) Non-Executive Director Member of Remuneration Committee Mr Eu was appointed Non-Executive Director on 1 December 2012. Age 57. Mr Eu has over 25 years senior management experience in the Asia-Pacific region. He serves as Group Managing Director, International of Eu Yan Sang International Limited, a listed Group in the natural healthcare and health supplements business with distribution network in SE Asia, China, Australia and North America. Mr Eu has a wide scope of strategic and operational experience in manufacturing, distribution, marketing and branding. During the course of his career Mr Eu has acquired extensive contacts in the complementary healthcare industry throughout Asian markets. Mr Eu graduated from the University of Melbourne. Mr Eu has been a member of the Remuneration Committee since 1 December 2012.	**Direct** 13,695,543 ordinary shares.

* The directors holding as at the date of this report.

Meetings of Directors

The following table sets out the numbers of meetings of the company's Board of Directors and meetings of each Board committee held during the year ended 30 June 2013 and the number of meetings attended by each Director.

Director	**Full meetings of Directors**		**Meetings of committees**			
			Audit		**Remuneration**	
	A	B	A	B	A	B
John Manusu	14	14	1	1	-	-
Dr Hari Nair	14	14	-	-	1	1
Andrew Goodall	14	14	1	1	1	1
Prakash Patel	7	7	-	-	-	-
Clifford Eu	7	5	-	-	1	1
Iain Howard Sorrell	7	6	2	2	-	-
David Roffe	7	7	2	2	-	-
Ward Wescott	7	7	2	2	-	-

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year.

Directors' Report

CORPORATE INFORMATION

Corporate Structure
NuSep Holdings Ltd is a holding company limited by shares, incorporated and domiciled in Australia with its registered office at 30 Richmond Road, Homebush, NSW 2140. It has prepared a consolidated financial report incorporating the entities it controlled during the financial year. Refer to note 30 for the list of entities it controlled during the financial year. All press releases, financial reports and other information are available on our website at www.NuSep.com.

Principal Activities
During the year the principal continuing activities of the consolidated group consisted of the development, manufacture and sale of pre-cast electrophoresis gels, separations equipment and consumables and other biological products for the Life Science market. PrIME Biologics Pte Ltd, NuSep's subsidiary in Singapore, will be using the patented PrIME technology to manufacture therapeutic human blood plasma products. This is a world first application of the PrIME technology and PrIME recently acquired the Luye/A-Bio cGMP facility in Singapore in which to undertake this project. PrIME is also being used in the separation of human sperm for the IVF market. Refer page 6 for details of significant changes in the nature of these activities during the year.

Dividends
No dividends were paid during the year and no dividend is recommended.

REVIEW OF OPERATIONS

The Group produced a net loss of $1,841,920 for the year ended 30 June 2013 (2012 restated: $9,691,650), this is a $7.8m turn around on the $9.7m loss for the financial year ended 30 June 2012 and represents a 81% improvement relative to the previous year.

At 30 June 2013 the Group had current liabilities of $3,668,114 (30 June 2012 restated: $3,891,236) and total assets of $13,632,034 (30 June 2012 restated: $5,361,665) which included intangible assets of $3,885,130 (30 June 2012 restated: $2,400,120). During the year the Group has incurred significant expenditure for the PrIME Biologics project in Singapore and development of new products during the year. Refer to Note 33 for the business segment results.

The 2012/2013 year has seen a number of significant achievements starting with the Singapore shipment of the pilot scale current Good Manufacturing Practise (cGMP) PrIME unit in October 2012 and concluding with the signing of the PrIME Biologics funding Letter of Intent (LOI) in June 2013. All of these achievements flowed from the decision outlined to shareholders at the AGM in November 2012 to focus NuSep around applications of the PrIME Technology. Without question, NuSep's greatest asset is the PrIME Technology and its associated Intellectual Property (IP). It is worth noting that the PrIME Biologics therapeutic plasma application is just the first, and not even the largest, application of PrIME Technology.

During the year to 30 June 2013 the company has continued its focus on getting the PrIME Biologics plasma fractionation plant in Singapore established. As announced in August 2012 PrIME Biologics signed an agreement to acquire the Singapore cGMP facility for S$6m. The consideration can be settled at Prime Biologics Pte Ltd's discretion in cash or shares subject to certain pre-conditions. A liability to pay S$6m ($5.1m) in cash may arise if an investor in PrIME Biologics Pte Ltd is not secured, the Company is currently in discussions with A-Bio Pharma Pte Ltd (Luye) to extend the settlement date. PrIME Biologics has successfully completed three trial production runs of Human Albumin using its pilot production unit in this cGMP production facility during the year.

Some of the key achievements across this period have been;

- Acquired a state of the art cGMP facility in Singapore
- Installed pilot scale cGMP PrIME production unit
- Completed a 3 batch cGMP trial production run of therapeutic albumin
- Finalised the manufacturing process for Albumin, IVIG, FVIII and FIX from each unit of plasma
- Lodgement of patents for the development of a diagnostic and therapeutic for the treatment of dengue haemorrhagic fever based on the PrIME Technology

The Company continues to make good progress on the overall funding of PrIME Biologics and will update the market as these funding options are realised. The Company has during this period received over $3.2m in external funding through equity raisings and government grants.

In addition to the above, the company received accreditation by the Australia Therapeutic Goods Administration (TGA) for the manufacture of its in-vitro diagnostics medical devices (IVDs) in November 2012. This accreditation relates to NuSep's haemostasis diagnostic products. This higher quality standard will also contribute to the rigorous standards required to manufacture further membranes at NuSep's new Homebush, Sydney manufacturing facility for supply to PrIME Biologics in Singapore.

NuSep has concentrated on ensuring that it is set up to manufacture therapeutic grade membranes for use both in Singapore and elsewhere in Asia. This will set the Company up for a new and important income stream for the ongoing supply of PrIME membranes and equipment for plasma fractionation.

During the year a number of changes have been made to the Company's accounting policies. As required by the accounting standards, the change in accounting policy and correction of errors have been applied retrospectively and have resulted in an increase in the reported net loss for the year ended 30 June 2012 and a decrease in the net asset position for the group as at 30 June 2012 as detailed in Note 1(g).

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. The Directors have prepared a detailed going concern assessment as noted in Note 1(b). The Directors note the emphasis of matter in the audit report in respect of prior year restatements. Refer to note 1(g) of the financial statements for further details on prior year restatements.

Likely Developments, Prospects and Business Strategies

NuSep expects the identified key growth opportunities with its PrIME Technology to deliver an increase in revenues and earnings in the 2014 year. NuSep expects growth beyond the current financial year to result from a combination of organic growth from the core businesses and the key growth opportunities identified including the potential for a whole new income stream from the ongoing supply of PrIME equipment and associates consumables. Strategically, the Company continues to review all business development options available to it to fully unlock the commercial potential within the range of technologies and products the Company currently has or is developing.

Significant Change in State of Affairs

Significant changes in the state of affairs of the consolidated group during the financial year were as follows:

- Through the acquisition of the Luye/A-Bio facility in Singapore the Company has acquired fixed assets, independently valued at over S$9.4m.
- The company has made a significant investment in the setup of the PrIME Biologics project in Singapore.
- The conversion of $589,824 in Director loans to equity.
- Management executed the sale of the non-core IQ software division and realised value via this transaction in January 2013, the sale proceeds were fully received by March 2013. This sale has aided in the consolidated entity's efforts to reduce US expenditure and the IQ sales proceeds has positively contributed to free cash flow for the consolidated entity.
- The Company in June 2013 signed a Letter of Intent (LOI) with a significant Asian Life Sciences Fund. The LOI was signed by NuSep's Singapore subsidiary PrIME Biologics Pte Ltd which aims to raise up to S$20M by bringing a consortium of funds together.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following events occurred subsequent to 30 June 2013:

a) The Company announced on 9th July 2013 that the Board of NuSep has resolved to convert approximately $1.7m of its long term debts, including Director loans, into convertible notes. The Company will seek shareholder approval at a future time to approve the issue of these convertible notes with a conversion price of 7¢ per share.
b) The Company announced on 26th August 2013 that it had raised $1.2m through a share purchase plan and related share placement.

Except for the items discussed above no other matters or circumstances have arisen since 30 June 2013 that have significantly affected, or may significantly affect:

(a) The consolidated entity's operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The consolidated entity's state of affairs in future financial years.

SHARE OPTIONS
At 30 June 2012 there were 29,188,036 listed options on issue to shareholders. The listed options had an exercise price of 35 cents and they had not been exercised at their expiration date 1 September 2012. No share options were issued during the 2013 financial year.

Option holders do not have any right, by virtue of the option, to participate in any share issues of the company or any related body corporate.

ENVIRONMENTAL ISSUES
The Group has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low and has not identified any compliance breaches during the year.

INDEMNIFYING OFFICERS
During or since the financial year, the company has paid premiums to insure all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer of the company or any related body corporate against a liability incurred by such an officer.

PROCEEDINGS ON BEHALF OF THE COMPANY
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION
The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 20 as part of this Directors Report.

NON-AUDIT SERVICES
The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2013.

REMUNERATION REPORT - AUDITED

Outlined below are the guiding principles used by NuSep Holdings Ltd to set the remuneration of the organisation. While NuSep Holdings Ltd has adopted these guiding principles it is also sensitive to the overall business environment and NuSep Holdings Ltd's financial wellbeing.

The Group has made significant progress during the year including the PrIME Biologics project in Singapore and development and sale of new products. This achievement has been a direct result of the efforts of the Board and senior executives of the Group.

Principles used to determine the nature and amount of remuneration
The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and confirms with market best practice for delivery of reward. The Board Remuneration Committee

evaluates the executive directors and the CEO reviews the senior executive team. In general the Board and specifically the Remuneration Committee ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. Specifically the remuneration policy has been structured to provide:

Alignment to shareholders' interest:

- Has economic profit as a core component of plan design
- Focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non financial drivers of value
- Attracts and retains high calibre executives

Alignment to program participants' interest:

- Rewards capability and experience
- Reflects competitive reward for contribution to shareholder growth
- Provides a clear structure for earning rewards
- Provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives such as share options. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Company performance, shareholder wealth and director and executive remuneration.
The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

The Group continues to increase awareness of its commercial projects and regularly holds investor presentations and market updates. The share price as at 30 June 2012 was 5 cents, at 30 June 2013 was 5 cents and at the date of this report was 5 cents.

Director Remuneration additional points
There are no other employment agreements or consultancy agreements between non executive Directors and the Company.

On 1st June 2010 the directors Mr John Manusu and Dr Hari Nair signed employment contracts. This contract includes employment terms, performance clauses and termination payments.

Employment contracts
The Chairman, Mr Manusu, is employed under contract. The current employment contract commenced on 1st June 2010 and terminated on 31st May 2013. The contract has been extended to 3rd October 2013 and the Company is currently in discussion on renewal of the contract. Under the terms of the current contract:

- Mr Manusu may resign from his position and thus terminate this contract by giving 4 weeks written notice. On resignation any options will be forfeited.

- For reasons of illness or bankruptcy, the Company may terminate this agreement by providing one (1) months' written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Manusu's remuneration).

- The Company may terminate this contract for whatever reason (such as redundancy), with or without notice. In this event, the Chairman is entitled to 1 years' salary including all entitlements and bonuses otherwise payable.

- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Chairman is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

The Deputy Chairman, Dr Nair, is employed under contract. The current employment contract commenced on 1st June 2010 and terminated on 31st May 2013. The contract has been extended to 3rd October 2013 and the Company is currently in discussion on renewal of the contract. Under the terms of the current contract:

- Dr Nair may resign from his position and thus terminate this contract by giving 4 weeks written notice. On resignation any options will be forfeited.

- For reasons of illness or bankruptcy, the Company may terminate this agreement by providing one (1) months' written notice or provide payment in lieu of the notice period (based on the fixed component of Dr Nair's remuneration).

- The Company may terminate this contract for whatever reason (such as redundancy), with or without notice. In this event, the Deputy Chairman is entitled to 1 years' salary including all entitlements and bonuses otherwise payable.

- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Deputy Chairman is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

The Managing Director, Mr Patel, is employed under contract. The current employment contract commenced on 1st June 2010 and terminated on 31st May 2013. The contract has been extended to 3rd October 2013 and the Company is currently in discussion on renewal of the contract. Under the terms of the current contract:

- Mr Patel may resign from his position and thus terminate this contract by giving 4 weeks written notice. On resignation any options will be forfeited.

- For reasons of illness or bankruptcy, the Company may terminate this agreement by providing one (1) months' written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Patel's remuneration).

- The Company may terminate this contract for whatever reason (such as redundancy), with or without notice. In this event, the Managing Director is entitled to 1 years' salary including all entitlements and bonuses otherwise payable.

- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Non Executive Directors
Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non Executive Directors fees and payments are reviewed annually by the Board. The Board also relied on its market assessment to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on responsibility of the role and are also in line with the market. The Chairman is not present at any discussions relating to determination of his remuneration. Subject to shareholder approval Non-Executive Directors may opt each year to receive a percentage of their remuneration in NuSep Holdings Ltd shares. During the period no Directors fees have been paid to the Chairman or Deputy Chairman who held executive roles in the Singapore subsidiary PrIME Biologics Pte Ltd.

Directors' Fees
The current base remuneration was last reviewed effective January 2013. Non-Executive Directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. The current maximum non executive Directors fee pool limit is $450,000 per year.

Retirement Allowance for Directors
In line with recent guidance on Non-Executive Directors' remuneration, the Board has resolved not to have any retirement allowances for Non-Executive Directors except for any Director who may have an executive role in a subsidiary within the Group.

Directors' Report

Executive Pay
The executive pay and reward framework has four components:

- Base pay and benefits
- Short term performance incentives
- Long term incentives
- Other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration. The Company also has long term equity linked to their performance incentives.

Base Pay
Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. The Board also relied on its market assessment to ensure base pay is set to reflect the market for a comparable role in a similar sized biopharmaceutical company to the Remuneration Committee for its consideration. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market.

Retirement Benefits
Retirement benefits are delivered under the NuSep Holdings Ltd employee superannuation fund.

Short Term Incentives
It is planned that should NuSep Holdings Ltd achieve financial targets set by the remuneration committee, then a pool of short term incentives (STI) will be available for executives to allocate during the annual review. Under the planned scheme, cash incentives (bonuses) are payable in cash during September each year. Using such targets will ensure rewards are only available when value has been created for shareholders and when the results are consistent with the business plan. The incentive pool is to be leveraged for performance above the threshold to provide an incentive for executives to out perform their budgets. The incentive is designed to represent a significant percentage of the executive's salary, up to 50% in any one year.

Each executive is to attract a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met for the executive directors. The CEO conducts the same assessment in conjunction for the senior executive team. These KPI's and linked STI are reviewed by the remuneration committee. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

KPIs linked to short term incentive plans are based on group, individual business and personal objectives. The KPIs require performance in increasing sales, managing operating costs and achieving specific targets in relation to return on assets and economic value added (EVA), as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods.

The short term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee. The STI targets and bonuses are reviewed annually.

Long Term Incentives
The objective of the Company is to reward Directors and key management personnel in a manner which aligns elements of remuneration with the creation of shareholder wealth. The long term incentive grants to Directors and key management personnel where appropriate are delivered in the form of share options.

Details of Remuneration
Details of the nature and amount of each element of the emoluments of each Director of NuSep Holdings Ltd and specified executives of the Company and the consolidated entity for the year ended 30 June 2013 are set out in the following tables.

Directors' Report

Directors of NuSep Holdings Ltd

2013	Short-Term				Post employ-ment @	Equity settled share based payments		Proportion of remunera-tion	Value of option as proportion of remunera-tion
Name	Cash Salary and Fees $	STI Cash Bonus ^ $	Annual Leave / Long Service Leave $	Non-monetary benefits, and Allowances $	Super-annuation $	Value of Options $	Total $	% performan-ce related	%
John Manusu	300,000	-	24,618	55,500	15,199	3,295	398,612	-	0.8
Dr Hari Nair	300,000	-	34,732	55,500	15,199	3,038	408,469	-	0.9
Iain H. Sorrell #	20,833	(25,000)	-	-	-	-	(4,167)	-	-
William Spee #	-	(25,000)	-	-	-	-	(25,000)	-	-
David Roffe #	20,833	-	-	-	-	-	20,833	-	-
Ward Wescott #	21,013	-	-	-	-	-	21,013	-	-
Andrew Goodall	14,375	-	-	-	-	-	14,375	-	-
Clifford Eu *	7,917	-	-	-	-	-	7,917	-	-
Prakash Patel *	235,834	-	44,175	19,416	15,199	-	314,624	-	-
Total	920,805	(50,000)	103,525	130,416	45,597	6,333	1,156,676	-	0.6

^ During the year the Board reversed the bonus that had been accrued in 2012 for these two former Directors. There has been no bonuses paid to any Directors in the 30 June 2013 and 30 June 2012 financial years.
* Appointed during the year.
# resigned during the current or prior year.
@ There has been no post employment retirement benefits, except for superannuation, paid to any Directors in the 30 June 2013 and 30 June 2012 financial years.
Mr Manusu has been the Chairman of NuSep Holding Ltd for the whole year. Mr Manusu has also been the Managing Director of the Singapore subsidiary PrIME Biologics Pte Ltd during the whole year.
Dr Nair became the Deputy Chairman of NuSep Holdings Ltd in December 2012. Prior to that Dr Nair was Managing Director until November 2012. Dr Nair has been the Executive Chairman of the Singapore subsidiary PrIME Biologics Pte Ltd during the whole year.

2012	Short-Term				Post employ-ment	Equity settled share based payments		Proportion of remunera-tion	Value of option as proportion of remunera-tion
Name	Cash Salary and Fees $	STI Cash Bonus ^ $	Annual Leave / Long Service Leave $	Non-monetary benefits, and Allowances $	Super-annuation $	Value of Options $	Total $	% performan-ce related	%
John Manusu	300,000	-	27,906	24,250	15,199	2,212	369,567	-	0.6
Dr Hari Nair	300,000	-	25,528	18,000	15,199	2,117	360,844	-	0.6
Iain H. Sorrell	50,000	25,000	-	-	-	1,058	76,058	-	1.4
William Spee	37,500	25,000	-	-	-	-	62,500	-	-
John O'Connor	18,187	-	-	-	-	-	18,187	-	-
David Roffe	36,111	-	-	-	-	-	36,111	-	-
Ward Wescott	36,111	-	-	-	-	-	36,111	-	-
Andrew Goodall	14,422	-	-	-	-	-	14,422	-	-
Total	792,331	50,000	53,434	42,250	30,398	5,387	973,800	-	0.6

Senior Executive Employment Agreements
All of NuSep Holdings Ltd senior executive team are under employment contracts. These contracts include employment terms, remuneration, performance clauses and termination payments. Under the general terms of the current executive contracts:

- the executive may resign from their position and thus terminate the contract by giving 1 months written notice. On resignation any options will be forfeited.

- the agreement will automatically terminate unless the agreement is renewed by the parties, in writing, prior to the expiration of the initial term. Employee's employment will automatically continue on an at-will basis on the terms stipulated in the contract.

Executives of NuSep Holdings Ltd and Subsidiaries

2013	Short-Term			Post-employment @	Equity settled share based payments		Proportion of remuneration	Value of option as proportion of remuneration
Name	Cash Salary and other fees $	STI Cash Bonus $	Non-monetary benefits, and Allowances $	Super-annuation $	Value of Options $	Total $	% performance related	%
Dr John Andrews	125,000	-	9,000	12,060	-	146,060	-	-
Matthew Loggie	140,000	-	-	12,600	-	152,600	-	-
Thee Woon Goh *	75,000	-	-	-	-	75,000	-	-
Total	340,000	-	9,000	24,660	-	373,660	-	-

* No cash payments have been made to Thee Woon Goh and the accumulated fees at 30 June 2013 of $75,000 (30 June 2012: $206,817), were netted off against his outstanding debt due to the Company at 30 June 2013 related to the exercise of share options (refer Note 28(e)(vii)).
@ There has been no post employment retirement benefits, except for superannuation, paid to any Executives in the 30 June 2013 and 30 June 2012 financial years.

2012	Short-Term			Post-employment	Equity settled share based payments		Proportion of remuneration	Value of option as proportion of remuneration
Name	Cash Salary and other fees $	STI Cash Bonus $	Non-monetary benefits, and Allowances $	Super-annuation $	Value of Options $	Total $	% performance related	%
Prakash Patel	180,000	-	12,750	15,200	-	207,950	-	-
Dr John Andrews	125,000	-	9,000	12,060	-	146,060	-	-
Matthew Loggie	136,667	-	-	12,300	-	148,967	-	-
Thee Woon Goh *	206,817	-	-	-	-	206,817	-	-
Total	648,484	-	21,750	39,560	-	709,794	-	-

Prakash Patel is Managing Director and Company Secretary, was the Chief Operating Officer till 1 November 2012. The 2013 remuneration details of the Managing Director are noted on page 11.
Dr John Andrews is Director of PrIME Instrumentations.
Matthew Loggie is Director of Operations.
Thee Woon Goh is a Non-Executive Director of Prime Biologics Pte Ltd in Singapore.

Directors' Report

Share options granted to Directors

Share options were issued in 2011 to the Directors with the highest authority levels of NuSep Holdings Ltd as part of their remuneration. These options and the terms are outlined in table below.

The fair value of each option is estimated at grant date using Black-Scholes option pricing model, with the following assumptions used:

Dividend yield	0%
Risk-free interest rate	4.50%
Historical volatility	149%
Expected volatility	149%
Expected option life	1.65 years

Shares Under Option
The number of options over ordinary shares in NuSep issued to directors during the year is as follows:

2013	Balance at start of year	Granted as remuneration	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
John Manusu	500,000	-	-	-	500,000	500,000	-
Dr Hari Nair	500,000	-	-	-	500,000	500,000	-
Iain H. Sorrell	250,000	-	-	250,000	-	-	-
Total	1,250,000	-	-	250,000	1,000,000	1,000,000	-

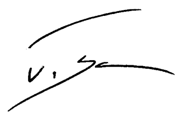
2012	Balance at start of year	Granted as remuneration	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
John Manusu	-	500,000	-	-	500,000	400,000	100,000
Dr Hari Nair	-	500,000	-	-	500,000	400,000	100,000
Iain H. Sorrell	-	250,000	-	-	250,000	200,000	50,000
Total	-	1,250,000	-	-	1,250,000	1, 000,000	250,000

Executives

There were no share options issued during the 2013 and 2012 financial years.

CORPORATE GOVERNANCE
In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of NuSep Holdings Ltd support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the following section of the annual report.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



John Manusu
Chairman

Sydney
30 September 2013

CORPORATE GOVERNANCE STATEMENT
30 June 2013

The Directors of NuSep Holdings Ltd are committed to achieving and demonstrating the highest standards of corporate governance. The Directors have noted carefully the guidelines on the principles of corporate governance issued by the Australian Stock Exchange Limited ("ASX") in March 2003, and revised in August 2007, and the ASX Corporate Governance Council guidance on principle 7 and support their intent. The Company's framework is largely consistent with the recommendations and exceeded them in some areas. Changes have been made to the Company's governance arrangements to further refine and align the Company's Corporate Governance with the ASX 8 point guidelines. The Company and its controlled entities together are referred to as the NuSep Group in this statement.

The relationship between the Board and the senior management is critical to NuSep Holdings Ltd's long term success. The Directors are responsible to the shareholders for the performance of NuSep Holdings Ltd in both the short and the longer term and seek to balance these sometime competing objectives in the best interests of NuSep Holdings Ltd as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure NuSep Holdings Ltd including its controlled entities are properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director/CEO and the Chief Financial Officer (CFO) as set out in the Board Charter. These delegations are reviewed on an annual basis.

A description of NuSep Holdings Ltd main Corporate Governance practices are set out below. All of these practices, unless otherwise stated, have been in effect throughout the last financial year. NuSep Holdings Ltd has used the ASX 8 Corporate Governance principles as a framework against which to report its Corporate Governance principles.

1. Lay solid foundations for management and oversight

The NuSep Holdings Ltd Board Charter and Corporate Governance Guidelines states in section 3.3 that the Company *"Recognises the need for a clear division of the roles between the executive and Non-Executive Board members"*.

The Board has adopted a formal charter that sets out the responsibilities reserved by the Board and those delegated to the Managing Director/CEO. The charter is reviewed annually to ensure it remains consistent with accepted practice in the context of the Board's objectives and responsibilities.

Specifically, the Board is charged with: setting the strategic direction of the organisation and monitoring management's performance within that framework; reviewing whether there are adequate resources available to meet Group objectives; appointing and removing the Managing Director and overseeing succession plans for the senior executive team; approving and monitoring financial reporting and capital management; approving and monitoring the progress of business objectives; assessing the risk management framework and whether appropriate procedures are being followed; ensuring that the Group has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility; and monitoring whether the Board is appropriately skilled to meet the changing needs of the company. The Board and its sub committees have no involvement in the operational role of the parent organisation.

The roles of Chairman and Managing Director are separated.

The Chairman is responsible for leading the Board in its duties, facilitating effective discussions at board meetings and ensuring procedures are in place to evaluate board performance. The Managing Director is responsible for the efficient and effective operation of the organisation, and for bringing material and other relevant matters to the attention of the Board in an accurate and timely matter.

2. Structure the board to add value

The NuSep Holdings Ltd Board Charter and Corporate Governance guideline states in section 4.1 that the Company "*shall have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties"*.

Skills

A fundamental requirement of NuSep Holdings Ltd Directors is an understanding of the markets that the Company services. They also bring a diverse range of skills and backgrounds including accountancy, clinical trial, drug development, process development and international business skills. At 30 June 2013, the Board consists of five Directors. The experience and qualifications of each Director and their terms of office are further discussed on pages 3-4 and pages 8-9 respectively.

Experience
The Directors have an appropriate mix of tenure, blending experience with new membership. NuSep Holdings Ltd's business involves, converting the Company from an Australian based manufacturing and research organisation into the leading supplier to the BioSeparations market. Experience in mergers & acquisitions, managing cross border business, international licensing, joint ventures and manufacturing in the BioSeparations field is highly desirable. Such experience and judgment is required for effective decision-making.

Appointment and removal
Board succession planning is considered an important part of the governance process. Progressive and orderly renewal of board membership is important. The appointment and removal of Directors is governed by the constitution, and by sections 4 & 5 of the Board Charter. The Board has not adopted a specific tenure threshold.

Independence
The Board has adopted a policy that generally a majority of its Directors must be independent using the definition of independence from the Guidelines which is set out below.

An independent Director is a Non-Executive Director and:

- Is not a substantial shareholder of the company or an officer of, or directly or indirectly associated with, a substantial shareholder of the company;
- Within the last three years has not been employed in an executive capacity by the company or another group member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- Is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the company or another group member other than as a Director of the company;
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company;

The Board employs a materiality threshold in judging whether customer, supplier, consultant, shareholder or professional adviser relationships affect the independence of NuSep Holdings Ltd Directors.

The Board has adopted AASB standard 1031 to determine levels of materiality. A relationship is presumed immaterial when it represents less than 5% of NuSep Holdings Ltd issued capital or group revenue, and presumed material when it generates more than 10% of issued capital or group revenue during a twelve-month period in the absence of evidence or convincing argument to the contrary. In considering such evidence or argument NuSep Holdings Ltd considers the strategic value and other material but non-quantitative aspects of the relationship in question.

The Board has considered each relationship between its Non-Executive Directors and any shareholder, customer, supplier, consultant or professional adviser to NuSep Holdings Ltd. The Board has determined that none of these past or present relationships of Directors breaches the materiality threshold or otherwise compromises the independence of Directors.

The threshold for the purpose of assessing the materiality of relationships between a non-executive Director and NuSep Holdings Ltd (other than as a Director) is set according to the significance of that relationship to the Director in the context of their activities as a whole. No Non–Executive Director has a relationship considered significant enough to compromise their independence on the NuSep Holdings Ltd Board, except for Mr Andrew Goodall and Mr Clifford Eu who are substantial shareholders of NuSep Holdings Ltd.

A list of each Director's commitments outside NuSep Holdings Ltd is set out on pages 3 and 4 of this report. A brief analysis of each Non-Executive Director's relationships with entities that have an association with NuSep Holdings Ltd is provided below.

1. Mr Andrew Goodall - Non-Executive Director. Mr Goodall has no commercial association with any customer or supplier to NuSep Holdings Ltd. Parties related to Mr Goodall have lent funds to the organization during the period on commercial terms. Mr Goodall is a substantial shareholder in NuSep Holdings Ltd.
2. Mr Clifford Eu - Non-Executive Director. Mr Eu has no commercial association with any customer or supplier to NuSep Holdings Ltd. Mr Eu is a substantial shareholder in NuSep Holdings Ltd.

At each meeting of the Board, Directors table their current outside interests, if any. If it was considered that a Director had a material potential conflict, it would be noted and where appropriate the relevant Director absents himself or herself for that specific item of business. That decision is minuted.

Board Committees
The Board has established two committees, an Audit Committee and a Remuneration Committee. These committees have been established to assist the Board perform its duties. Each committee is constituted in accordance with a charter. These committees meet to discuss issues delegated to them and then make recommendations back to the Board. The Board considers these recommendations, but is not bound to accept the recommendations of the committees. The establishment of and delegation of tasks to the committees does not dilute the responsibilities of the Board as a whole.

The Remuneration Committee of the Board comprises three Directors. The Committee's responsibilities cover all the matters relating to remuneration including making recommendations to the Board on executive director remuneration and incentive policies and the remuneration packages of Non-Executive directors. The committee also reviews NuSep Holdings Ltd recruitment; retention and termination policies; incentive schemes; superannuation arrangements and other Company remuneration policies.

The Chairman leads the process of selecting new Directors for consideration by the whole Board. Directors are required to advise the Chairman, before accepting additional external directorships and give assurance that any new responsibilities will not interfere with the proper execution of their responsibilities to NuSep Holdings Ltd.

The Audit Committee is discussed below under point 4 on the next page.

Membership of the Board's committees and attendance by Directors at meetings is outlined on page 5.

Independent advice
NuSep Holdings Ltd Directors may seek external professional advice at the expense of the company on matters relating to their role as Directors of NuSep Holdings Ltd. However, they must first request approval from the Chairman which must not unreasonably be withheld. If permission is withheld the matter may be referred to the whole Board. No such request was made during the last year.

Independent review
The Board commissioned an independent review of the Board in December 2010. This report was considered by the Board in 2011. The objective of the review was to provide the Board with an analysis of the skill sets required for NuSep Holdings Ltd to become an ASX 300 company. Following on from this review the Board has made appropriate changes to the Board.

3. Promote ethical and responsible decision-making

NuSep Holdings Ltd Board Charter and Corporate Governance Guidelines states in section 1.1 that Directors "*seek to ensure that NuSep Holdings Ltd operates ethically, safely and profitably in the interest of all stakeholders*".

Code of Ethics and Conduct
NuSep Holdings Ltd' Board Charter promotes ethical and responsible decision-making by Directors and employees. The Charter requires high standards of honesty, integrity, fairness and equity in all aspects of employment with NuSep Holdings Ltd. The Charter also sets the task for management of delivering shareholder value, with the oversight of the Board, through the sustainable and efficient operation of the company. Specific obligations regarding fitness for office also apply to NuSep Holdings Ltd Directors and management by virtue of its role as a developer, a manufacturer and supplier of medical devices, diagnostic products, and potentially therapeutic products. NuSep Holdings Ltd has comprehensive policies and procedures in place for observing these requirements.

Employees sign acceptance of this code of ethics as part of their employment with NuSep Holdings Ltd.

Share Dealing Rules
NuSep Holdings Ltd also has formal Share Dealing Rules that set the parameters for dealing in the securities of NuSep Holdings Ltd and prohibit insider trading. While Directors and employees are encouraged to be long term shareholders in NuSep Holdings Ltd, the company has a policy on insider trading to prohibit short term trading.

The policy provides a trading blackout period around the release of the financial results, clinical trials and other significant events. These blackout periods conclude on the release of the relevant information including prospectus, financial results and the announcement of the significant events. Share transactions can be undertaken at any other time. Share dealing rules are reviewed annually and when changed the new rules are advised to the ASX.

Corporate Governance Education
All of NuSep Holdings Ltd corporate governance policies are available to staff on NuSep Holdings Ltd internal and external websites. To increase awareness and understanding of all these policies, NuSep Holdings Ltd incorporated a corporate governance section into the established induction program for new employees.

4. Safeguard integrity in financial reporting

NuSep Holdings Ltd Board Charter and Corporate Governance Guidelines states in section 14.3.3 that the Audit Committees' role is to "*establish and maintain a structure to independently verify and safeguard the integrity of the Company's financial reporting*".

NuSep Holdings Ltd believes its practices satisfy this principle.

NuSep Holdings Ltd has a highly structured six-monthly reporting process, culminating in Board sign-off and release of financial results to the market. Further, the Chief Executive Officer and Chief Financial Officer provide written assurance of compliance with s295A to the Board for each half-year and full-year result.

NuSep Holdings Ltd Audit Committee is constituted in accordance with the Guidelines, and its responsibilities and composition requirements are set out in the Audit Committee Charter.

The Audit Committee's primary responsibilities are to establish and maintain a structure to independently verify and safeguard the integrity of the company's financial reporting. In addition the committee reviews NuSep Holdings Ltd financial and external reporting; review and assess the external auditors' activities, scope and independence; review the management processes for the identification of significant business risks and exposures and oversee the monitoring of internal control structures, including controls against conflicts of interest and fraud. The Committee also has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring any non-audit work carried out by the external audit firm. The procedures for appointment of an external auditor are outlined in the charter. No Director has any association, past or present, with NuSep Holdings Ltd external auditor.

Mr Andrew Goodall is the Chairman of the Audit Committee. The Audit Committee consists of two Directors and the Managing Director/CFO reports to this committee, although is not a member of the committee. The Committee may meet whenever necessary, and subsequently relays a summary of discussions and any significant matters arising to the Board followed by meeting minutes.

External audits
NuSep Holdings Ltd is scrutinized and audited by government, regulators, customers and investors. We view this scrutiny as a further validation of our efforts to maintain and promote the integrity of our markets, as well as the prudential operation of our systems.

During the period NuSep Holdings Ltd underwent three regulatory and one supplier audit. These audits are undertaken in order to provide assurances to the market regulators and NuSep Holdings Ltd customers regarding the operational integrity of NuSep Holdings Ltd systems and processes.

Changes were made to the Audit Committee charter during the year.

5. Make timely and balanced disclosure

NuSep Holdings Ltd Board Charter and Corporate Governance Guidelines states in section 20.1 that the Company "*will at all times provide timely and balanced disclosure of all material matters concerning the Company to its stakeholders*".

NuSep Holdings Ltd fulfills its disclosure responsibilities absolutely and is proud of its disclosure record.

NuSep Holdings Ltd endeavours to keep stakeholders informed of developments through its shareholder newsletters. NuSep Holdings Ltd also offers all stakeholders the opportunity to receive announcements via email once they have been disclosed to the ASX.

The Senior Executives have ultimate authority and responsibility for approving market disclosure, which in practice is exercised in consultation with the Chairman. The Board reviews public announcements at each meeting, and considers disclosure obligations in the context of each item of business which comes before it.

NuSep Holdings Ltd considers its disclosed discussion of financial results meets the standards outlined in the Guidelines. This disclosure includes availability of materials on the NuSep Holdings Ltd website and provision of all information necessary for investors to make informed decisions about an investment in NuSep Holdings Ltd securities.

6. Respect the rights of shareholders

NuSep Holdings Ltd Board Charter and Corporate Governance Guidelines states in section 1.1 that the "*Directors act in the best interests of NuSep Holdings Ltd as a whole and with honesty and in good faith*".

NuSep Holdings Ltd has adopted a shareholder communication approach that identifies disclosure and transparency as important qualities for NuSep Holdings Ltd shareholders and prospective investors. NuSep Holdings Ltd therefore aims to provide good quality, clear communication with shareholders, using available methods and technologies.

A newsletter/ or updates are sent to all shareholders and other interested stakeholders on a regular basis. This newsletter updates developments since the last newsletter and reports against the company's strategic goals.

NuSep Holdings Ltd views shareholder meetings as an opportunity for shareholders to meet with and question the Board and management of NuSep Holdings Ltd. NuSep Holdings Ltd external auditor attends all annual general meetings and is available to answer shareholder questions. For the annual general meeting to be held in November 2013, NuSep Holdings Ltd will also accept prior to the meeting, appropriate written questions from shareholders for the Chairman or external auditors to answer at the meeting.

A copy of all investor presentations given in the last year are also available on the website.

NuSep Holdings Ltd website, www.NuSep.com, is a key source of information for NuSep Holdings Ltd shareholders and prospective shareholders. NuSep Holdings Ltd places appropriate company announcements on the site immediately following confirmation of their release to the market. Analyst briefing material is released as a company announcement. NuSep Holdings Ltd also displays annual and half-year reports to shareholders, speeches and presentations given by the Chairman, Managing Director and management and other useful business indicators including press releases and shareholder newsletters. Email is also an important method of communication for investors. All public announcements can be received by email when shareholders and other stakeholders provide their details to NuSep Holdings Ltd at www.NuSep.com/contact.php.

7. Recognise and manage risk

NuSep Holdings Ltd Board Charter and Corporate Governance Guidelines states in section 7.3.5 that the Audit Committee "*regularly reviews the adequacy, security and objectivity of the internal control framework and internal control and audit plan and assesses significant business risks identified by the executive management team through the committee*".

NuSep Holdings Ltd takes this responsibility seriously and has committed to put in place appropriate procedures for risk management.

Financial Risks

The Audit Committee has responsibility for reviewing the risk management framework within NuSep Holdings Ltd. It receives presentations from the heads of each division on risks of each business unit and risk containment measures adopted. Risk is broadly considered as anything that may impede the achievement of NuSep Holdings Ltd strategic goals.

The Audit Committee receives periodic reports that monitor compliance with existing statutory requirements.

CEO and CFO sign-off

NuSep Holdings Ltd has a Managing Director/CEO and Chief Financial Officer (CFO) sign off. As of June 30, 2013, the sign off was done by Mr Prakash Patel. This sign-off states to the Board in writing that to the best of the CEO/CFO's knowledge the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

Operational Risks

NuSep Holdings Ltd operates in a highly regulated environment. The Company must meet all of the Governmental and regulatory requirements of the markets into which it operates, manufactures, distributes and sells. To ensure compliance, the company has a regulatory affairs and quality assurance framework that has been accepted by Governmental organisations, regulatory bodies, partners, customers, and staff.

Senior executive officers play an important role in maintaining a company-wide commitment to compliance with applicable requirements and regulations. The regulatory and quality functions report directly to the Managing Director/CEO.

Support for NuSep Holdings Ltd regulatory compliance and quality assurance principles is achieved throughout the Group by:

- Educating employees about all applicable government rules and regulations that affect the operations of the Group;
- Monitoring and Auditing compliance to all applicable rules and regulations that affect the operations of the Group;
- Identifying, investigating, and reporting (in a timely manner) any detected deviations, errors, and/or accidents from applicable requirements and regulations that affect the operations of the Group. Included in these investigations is a root-cause analysis and a corrective action/preventive action (CAPA) system to prevent recurrence of the problem;
- Incorporating regulatory and quality endpoints into the KPI's of all employees.

Ensuring compliance to the regulatory and quality assurance principles is demonstrated by the employment of regulatory and quality assurance staff who report directly to the CEO, performing internal audits, and auditing performed by the regulatory bodies including, the ISO9000 Quality Management Systems registrar and the Australian Therapeutic Goods Administration accredited ISO 13485.

8. Remunerate fairly and responsibly

NuSep Holdings Ltd Board Charter and Corporate Governance Guidelines states in section 7.4.2 that the Remuneration and Nomination Committee will "*ensure that procedures are in place to remunerate Directors, senior executives and staff sufficiently and reasonably and that this reward is tied to the corporate and individuals performance*".

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key senior executives fairly and appropriately with reference to relevant employment market conditions. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' report.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Nusep Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Carlo Pasqualini
Partner

Sydney

30 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2013

	Notes	2013 $	2012 Restated $
Continuing operations			
Revenue	3	**918,654**	1,322,439
Cost of sales	4	**(862,932)**	(813,361)
Gross Profit		**55,722**	509,078
Other income	3	**550,203**	931,573
Marketing expenses		**(433,181)**	(499,823)
General and administration expenses			
Other		**(1,656,533)**	(1,261,003)
Impairment reversal / (expense)	4	**75,000**	(1,384,177)
Research and development expenses			
Other		**(864,242)**	(946,669)
Impairment expense	4	**-**	(3,538,189)
Finance cost expenses	4	**(347,843)**	(67,750)
Loss before income tax		**(2,620,874)**	(6,256,960)
Income tax expense	5	**-**	-
Loss after tax from continuing operations		**(2,620,874)**	(6,256,960)
Discontinued Operation			
Profit/(loss) from discontinued operation, net of tax	6	**778,954**	(3,434,690)
Net Loss for the year attributable to members of parent		**(1,841,920)**	(9,691,650)
Other comprehensive income/ (expense)			
Exchange translation differences		**303,008**	(65,571)
Total other comprehensive income / (expense) for the year		**303,008**	(65,571)
Total comprehensive income / (expense) for the year		**(1,538,912)**	(9,757,221)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,538,912)**	(9,757,221)
Non-controlling interest		**-**	-
Total comprehensive income / (expense) for the year		**(1,538,912)**	(9,757,221)
Earnings per share	7	**Cents**	Cents
– basic loss per share		**(1.48)**	(9.89)
– diluted loss per share		**(1.48)**	(9.89)
Earnings per share - continuing operations		**Cents**	Cents
– basic loss per share		**(2.11)**	(6.38)
– diluted loss per share		**(2.11)**	(6.38)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. Refer to note 1(g) for details on prior year restatements.

NuSep Holdings Ltd and its Controlled Entities
ABN 33 120 047 556

Consolidated Statement of Financial Position
As at 30 June 2013

	Notes	30 June 2013 $	30 June 2012 Restated $	1 July 2011 Restated $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8	**180,942**	173,447	29,009
Trade and other receivables	10	**431,808**	212,963	825,720
Inventories	11	**400,380**	370,527	426,740
Other current assets	12	**1,075,197**	1,151,031	427,833
TOTAL CURRENT ASSETS		**2,088,327**	1,907,968	1,709,302
NON-CURRENT ASSETS				
Other non-current assets	13	**531,277**	6,452	-
Financial assets	14	**300,000**	300,000	300,000
Property, plant and equipment	15	**6,827,300**	747,125	1,018,987
Intangible assets	16	**3,885,130**	2,400,120	7,391,062
TOTAL NON-CURRENT ASSETS		**11,543,707**	3,453,697	8,710,049
TOTAL ASSETS		**13,632,034**	5,361,665	10,419,351
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	18	**2,716,213**	2,270,166	2,317,050
Interest bearing liabilities	19	**479,255**	1,068,422	-
Tax liabilities	20	**139,428**	282,184	242,288
Short-term provisions	21	**333,218**	270,464	217,351
TOTAL CURRENT LIABILITIES		**3,668,114**	3,891,236	2,776,689
NON-CURRENT LIABILITIES				
Interest bearing liabilities	22	**1,568,303**	-	377,287
Long-term provisions	23	**1,405,511**	87,822	66,628
TOTAL NON-CURRENT LIABILITIES		**2,973,814**	87,822	443,915
TOTAL LIABILITIES		**6,641,928**	3,979,058	3,220,604
NET ASSETS		**6,990,106**	1,382,607	7,198,747
EQUITY				
Issued capital	24	**27,799,395**	25,826,848	21,891,153
Reserves	25	**588,126**	278,785	338,969
Accumulated losses		**(26,564,946)**	(24,723,026)	(15,031,375)
Total equity attributable to equity holders of the Company		**1,822,575**	1,382,607	7,198,747
Non-controlling interest	26	**5,167,531**	-	-
TOTAL EQUITY		**6,990,106**	1,382,607	7,198,747

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. Refer to note 1(g) for details on prior year restatements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

Restated	Notes	Issued Capital $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Share Options Reserve $	Accumulated Losses $	Total Equity $
2012							
Previously published balance 30 June 2011		21,891,153	103,352	763,563	235,617	(15,998,602)	6,995,083
Restatement in respect of government grants recognised on an accruals basis	1.(g) (i)	-	-	-	-	749,065	749,065
Restatement in respect of plant & equipment measurement	1.(g) (ii)	-	-	(763,563)	-	218,161	(545,402)
Restated balance 30 June 2011		21,891,153	103,352	-	235,617	(15,031,376)	7,198,746
Movement							
Loss for the period		-	-	-	-	(9,691,650)	(9,691,650)
Currency translation difference		-	(65,571)	-	-	-	(65,571)
Total comprehensive income for the period		-	(65,571)		-	(9,691,650)	(9,757,221)
Issue of share capital	24	4,862,174	-	-	-	-	4,862,174
Transaction costs on share issue	24	(926,479)	-	-	-	-	(926,479)
Employee share option plan	24	-	-	-	5,387	-	5,387
Balance 30 June 2012		25,826,848	37,781	-	241,004	(24,723,026)	1,382,607

	Notes	Issued Capital $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Share Options Reserve $	Non-controlling interest $	Accumulated Losses $	Total Equity $
2013								
Previously published balance 30 June 2012		25,826,848	37,781	763,563	241,004	-	(22,306,817)	4,562,379
Restatement in respect of impairment charges	1.(g) (iii)	-	-	-	-	-	(3,538,194)	(3,538,194)
Restatement in respect of government grants recognised on an accruals basis	1.(g) (i)	-	-	-	-	-	794,744	794,744
Restatement in respect of plant & equipment measurement	1.(g) (ii)	-	-	(763,563)	-	-	327,241	(436,322)
Restated balance 30 June 2012		25,826,848	37,781	-	241,004	-	(24,723,026)	1,382,607
Movement								
Loss for the period		-	-	-	-	-	(1,841,920)	(1,841,920)
Currency translation difference		-	303,008	-	-	-	-	303,008
Total comprehensive income for the period		-	303,008	-	-	-	(1,841,920)	(1,538,912)
Issue of share capital	24	2,257,806	-	-	-	-	-	2,257,806
Transaction costs on share issue	24	(285,259)	-	-	-	-	-	(285,259)
Employee share option plan	24	-	-	-	6,333	-	-	6,333
Non-controlling interest	26	-	-	-	-	5,167,531	-	5,167,531
Balance 30 June 2013		27,799,395	340,789	-	247,337	5,167,531	(26,564,946)	6,990,106

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2013

	Notes	**2013** $	2012 $
Cash flows from operating activities			
Receipts from customers		**1,087,529**	1,297,501
Payments to suppliers and employees		**(3,693,657)**	(2,467,101)
Government grant receipts		**1,542,879**	749,684
Other receipts		**80,000**	-
Finance costs		**(4,721)**	(15,127)
Net cash flows used in operating activities	9 (a)	**(987,970)**	(435,043)
Cash flows from investing activities			
Interest received		**9,299**	8,033
Proceeds from disposal of property, plant and equipment		**17,253**	-
Purchase of property, plant and equipment		**(76,055)**	(15,335)
Purchase of other non-current assets		**(1,615,012)**	(2,387,318)
Rental bond deposit outflow		**(524,825)**	-
Proceeds from discontinued operation	6	**573,852**	3,256
Net cash flows used in investing activities		**(1,615,488)**	(2,391,364)
Cash flows from financing activities			
Proceeds from issue of shares		**1,627,982**	2,519,194
Shares buy back		**-**	(633)
Share issue costs		**(143,581)**	(169,796)
Receipts of refundable government loans		**70,094**	-
Receipts from the issue of convertible loan notes		**154,285**	-
Receipts from related party loans		**960,401**	782,179
Repayment of related party loans		**(55,000)**	(160,099)
Net cash flows provided by financing activities		**2,614,181**	2,970,845
Net increase in cash and cash equivalents		**7,486**	144,409
Cash and cash equivalents at beginning of year		**173,447**	29,038
Cash and cash equivalents at end of year	8	**180,942**	173,447

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

This financial report includes the consolidated financial statements and notes of NuSep Holdings Ltd and its controlled entities ('Group'). NuSep Holdings Ltd is a listed public company, incorporated and domiciled in Australia.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

a) Statement of Compliance

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

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

Reporting Basis and Conventions
The financial report has been prepared on an accruals basis and is based on historical cost.

b) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The consolidated entity is developing a technology which it expects will be able to be commercialised, and will ultimately generate adequate profits and cash flows on a long term basis to sustain the consolidated entity. However, it is currently spending cash to develop that technology and will continue to need to do so over several years. In order to continue as a going concern, it will need both access to adequate funding to conduct its activities and to continue to develop the technology, and ultimately to be successful in developing the technology to commercialisation. There is material uncertainty as to whether the above will be achieved. This may cast doubt on the consolidated entity's ability to continue as a going concern and therefore, that it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The directors note further the following in relation to the financial affairs of the consolidated entity:

- The consolidated entity made a net loss of $1,841,920 for the year ended 30 June 2013 (2012: $9,691,650), this included depreciation and amortisation expenses of $308,237 (2012: $429,827).
- For the year ended 30 June 2013 the consolidated entity had net cash outflows from operating activities of $987,970 (2012: $435,043) and net cash outflows from investing activities of $1,615,488 (2012: $2,391,364).
- At 30 June 2013 the consolidated entity had a deficiency in working capital of $1,579,787 (30 June 2012: $1,983,268).

Notwithstanding the above, the Directors believe that the consolidated entity will continue as a going concern, and accordingly have prepared the financial statements on a going concern basis after considering the following:

- Subsequent to year-end the consolidated entity in August 2013 has raised $1.2m through a Share Purchase Plan and related share placement. The Company announced on 23rd August 2013 that it had lodged its 2013 tax return and expects to receive a $1.6m R&D tax refund from the Australian Tax Office for eligible research and development activities carried out by the consolidated entity in the 30 June 2013 financial year under the research and development tax credit scheme.
- The company has access to a S$1m Singapore Economic Development Board (EDB) financing facility. The company received its first drawdown of S$85,290 ($70,094) in May 2013. The Company is currently in the process of lodging

its drawdown for the year-end 30 June 2013 which is expected to be around $300,000. The facility is eligible for a quarterly drawdown going forward.

- The company is in the process of finalising a $15m (S$20m) funding facility for the PrIME Biologics project in Singapore. A Letter of Intent was signed with a significant Asian fund in June 2013 and the Investor is currently undertaking due diligence.

- The NuSep Board has resolved to demerge PrIME Biologics in the financial year 2014. It is intended that PrIME Biologics will then undertake an IPO in the future. As part of this IPO NuSep expects to receive a further cash contribution from the sell down of its equity holding in PrIME Biologics.

- NuSep expects the identified key growth opportunities with its PrIME Technology to deliver an increase in revenues and earnings in the 2014 year. NuSep expects growth beyond the current financial year to result from a combination of organic growth from the core businesses and the key growth opportunities identified including the potential for a whole new income stream from the ongoing supply of PrIME equipment and associates consumables. Strategically, the Company continues to review all business development options available to it to fully unlock the commercial potential within the range of technologies and products the Company currently has or is developing.

- The company is in discussions with appropriate Australian and Singaporean government bodies in relation to obtaining funding through other incentive and grant programs that are currently available.

- The company has the ability to access funds through further securities issues by the parent entity or by the sell down of its 90% stake in its Singapore subsidiary PrIME Biologics Pte Ltd.

- The consolidated entity successfully raised equity of $1,627,982 during the year ended 30 June 2013.

- The consolidated entity successfully managed expenditure during the year ended 30 June 2013.

No adjustment has been made to the financial report relating to the recoverability and classification to carrying amounts of assets and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

c) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by NuSep Holdings Ltd at the end of the reporting period. A controlled entity is any entity over which NuSep Holdings Ltd has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

A list of controlled entities is contained in Note 30 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

d) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 1 (n) (a) - recoverability of development costs
- Note 23 and 32 (b) - provision for make good costs

e) Comparatives figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

f) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, are the Board of Directors.

g) Restatements

(i) Recognition of government grants on an accruals basis

In previous periods the Group recognised government grants on a cash receipts basis. However, in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, government grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Accordingly, adjustments have been made to comparative financial statements to recognise grant income on an accruals basis when there is reasonable assurance that all conditions attaching to the grant are satisfied, rather than when the cash is received. The restatement resulted in:

- a net increase in Other income of $45,679 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2012,
- an increase in Other current assets of $1,543,479, a decrease in Intangible assets of $748,735 and a decrease in Accumulated losses of $45,679 in the Consolidated Statement Financial Position as at 30 June 2012, and
- an increase in Other current assets of $749,065 and a decrease in Accumulated losses of $749,065 in the Consolidated Statement of Financial Position as at 1 July 2011.

(ii) Measurement of plant and equipment on a cost basis

In previous periods the Group recognised items of plant & equipment at revalued amounts. During the year ended 30 June 2013, the Group reconsidered this accounting policy and concluded that the cost model is more appropriate for the Group. As this represents a voluntary change of accounting policy, in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group is required to apply the new accounting policy retrospectively. Accordingly, adjustments have been made to comparative financial statements to reverse all previous revaluations, including subsequent depreciation charges. The restatement resulted in:

- a decrease in Cost of goods sold of $109,081 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2012,
- a decrease in Property, plant & equipment of $436,322, Reserves of $763,563 and Accumulated losses of $327,241 in the Consolidated Statement Financial of Position as at 30 June 2012, and
- a decrease in Property, plant & equipment of $545,402, Reserves of $763,563 and Accumulated losses of $218,161 in the Consolidated Statement of Financial Position as at 1 July 2011.

(iii) Intangible asset impairment charges

Previously intangible assets included development costs relating to the consumable products division and the membrane & applications divisions with a total carrying value of $3,538,194. Impairment charges relating to these development costs were recognised in the half-year ended 31 December 2012. The Group has considered the market conditions and circumstances that led to the impairment charges recognised in the half-year period ended 31 December 2012 and have concluded that overall, in substance, the impairment of these intangible assets should have been recognised in the year ended 30 June 2012. Consequently, comparatives in the financial statements for the year ended 30 June 2013 have been restated to recognise additional impairment charges resulting in:

- an increase in Research and development expenses of $3,538,194 in the Consolidated Statement of Profit or Loss and Other comprehensive income for the year ended 30 June 2012, and
- a decrease in Intangible assets and an increase in Accumulated losses of $3,538,194 in the Consolidated Statement of Financial position as at 30 June 2012.

This adjustment had no impact on the Statement of Financial Position as at 1 July 2011.

Summary of restatements on prior period comparatives	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	**2012 $**
Total comprehensive income/(expense) for the year previously reported	(6,373,786)
Adjustments relating to:	
Recognition of government grants on an accruals basis	45,679
Intangible asset impairment charges	(3,538,194)
Measurement of plant and equipment on a cost basis	109,080
Total comprehensive income/(expense) for the year - restated	(9,757,221)
Restated loss per share (cents)	10 cents
Consolidated Statement of Financial Position	**30 June 2012 $**
Net assets previously reported	4,562,379
Adjustments relating to:	
Recognition of government grants on an accruals basis	1,543,479
Deferred element of government grants recognised on an accruals basis	(748,735)
Intangible asset impairment charges	(3,538,194)
Measurement of plant and equipment on a cost basis	(436,322)
Net assets – restated	1,382,607
Consolidated Statement of Financial Position	**1 July 2011 $**
Net assets previously reported	6,995,083
Adjustments relating to:	
Recognition of government grants on an accruals basis	749,065
Measurement of plant and equipment on a cost basis	(545,402)
Net assets – restated	7,198,746

The above restatements also impact the previously published condensed financial report for the half year ended 31 December 2012. The impact of each restatement on the condensed financial report for the half year is as follows:

(i) Recognition of government grants on an accruals basis

A decrease in Other income and increase in Total comprehensive (loss) income for the period of $581,069 in the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income for the half year ended 31 December 2012. The impact on the Statement of Financial Position as at 31 December 2012 is an increase in Other current assets of $823,951, a decrease of $610,278 in Intangible assets and a decrease in Retained losses of $213,675.

(ii) Measurement of plant and equipment on a cost basis

A decrease in Cost of sales and Total comprehensive (loss) income for the period of $54,541 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2012, a decrease in Property, plant & equipment of $381,781, Reserves of $763,563 and Retained losses of $381,781 in the Condensed Consolidated Statement Financial Position as at 30 June 2012.

(iii) Intangible asset impairment charges

A decrease in Other expenses – impairment of assets and Total comprehensive (loss) income for the period of $3,538,194 in the Condensed Consolidated Statement Profit and Loss and Other Comprehensive Income. There is no impact on the Condensed Statement of Financial Position as at 31 December 2012.

The total impact of all restatements on Total comprehensive (loss) income for the period ended 31 December 2012 is a decrease of $3,011,626.

h) Foreign Currency Transactions and Balances

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

b) *Transaction and balances*
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised through profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised through profit or loss.

c) *Group companies*
The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:
- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings / accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

Accounting Policies

i) Income Tax

The income tax expense for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities / assets are therefore measured at the amounts expected to be paid to / recovered from the relevant taxation authority.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax is recognised for the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of standard cost.

k) Financial Instruments

Initial Recognition and Measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement
Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost.

Amortised cost is calculated as:
(i) the amount at which the financial asset or financial liability is measured at initial recognition;
(ii) less principal repayments;
(iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
(iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at cost.

(ii) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iii) Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at cost.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

Impairment
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised through profit or loss.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

l) Investments

Interests in non-controlled entities are carried at historic cost and reviewed at each balance date to reflect the parent entity's interest in the underlying net assets of the non-controlled entity. In accordance with *AASB 139 Financial Instruments*, investments in equity instruments that do not have a quoted market price in an active market shall be measured at cost.

m) Property, plant and equipment

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

Plant and equipment
Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(o)).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation
The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated group 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 depreciation rates used for each class of depreciable assets are:

	2013	2012
Plant and equipment	10% - 33%	10% - 33%
Leasehold improvements	14% - 20%	14% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

n) Intangible Assets

a) Research and Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs capitalised comprises all directly attributable costs, including cost of materials, services, direct labor and an appropriate proportion of overheads.

Development costs have a finite life and are amortised from the point at which the asset is ready for use on a systematic basis matched to the future economic benefits over the useful life of the project.

As at 30 June 2013, the carrying amount of intangible assets represents the development on the SpermSep and PrIME technologies, both of which are within the Separations Segment. The recoverable amount of these projects was determined by reference to independent valuations performed by a qualified valuers who specialise in the valuation of bio-tech assets. Refer to Note 16 for a breakdown of carrying values recognised at 30 June 2013.

b) Patents and Trademarks

Costs associated with Patents and Trademarks are expensed in the year in which they are incurred, unless the expenditure will generate future economic benefits. Patents and Trademarks capitalised are included in internal development costs and have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses.

o) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed through profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives or assets under development.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

p) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be paid for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

a) Equity-settled Compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

b) *Retirement benefit obligations*
All employees of the group are entitled to benefits from the group's superannuation plan on retirement. Contributions to the defined contribution fund are recognised as an expense as they become payable.

q) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

r) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are classified within short-term borrowings in current liabilities in the statement of financial position.

s) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within short-term credit terms.

t) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

a) *Sale of goods*
A sale is recorded when goods or services have been despatched to a customer pursuant to a sales order and the associated risks and rewards of ownership have passed to the customer. Where cash is received for goods not yet despatched revenue is deferred until risk and rewards of ownership is transferred to the customer.

b) *Interest Income*
Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

c) *Management fees*
Management fees are charged to the subsidiaries for applicable head office expenses incurred. Management fees are eliminated on consolidation.

(d) *Government Grants*
Government grants are recognised in accordance with policy Note 1 (u). All revenue is stated net of the amount of goods and services tax (GST).

u) Government Grants

AASB120 Accounting for Government Grants defines a government grant as assistance by the government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operation of the entity.
The new R&D Tax Incentive Scheme - which started being applied from July 2012 - for small companies is effectively a government grant. Although it is administered by the government through the ATO, it is not linked to the level of taxable profits. A benefit is immediately obtained regardless of whether the entity is in a tax loss or payable situation.

In accordance with AASB120, the grant is recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. The portion of the government grant relating to assets is credited to deferred income at fair value. The deferred income is credited to income on a straight-line basis over the expected useful life of the asset once the asset finishes its development stage. The portion of the government grant relating to costs is recognised as income in the period the grant relates to in order to match the costs. This income as a material item is separately presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, in accordance with *AASB101 Presentation of Financial Statements*, and in the Segment Reporting note, in accordance with *AASB8 Segment Reporting*.

v) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

w) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST amount 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 the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

y) Contributed equity

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

z) Earnings per Share

(i) Basic earnings per share
Basis earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted by bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing cost associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

aa) New Accounting Standards and Interpretations for Application in Future Periods

The new accounting policies adopted as of 1 July 2012 are consistent with those of the previous financial years.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).
These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.
The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. NuSep Holdings Ltd has already been presenting information about financial instruments in Note 1 (k) accounting policies applied on Financial Instruments, and in Note 31 Financial Risk Management Policy.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).
AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees.
The Company has not yet determined the impact of AASB 10 on Nusep's financial statements for the financial year 2014.

AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).
AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.
AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

The Company has not yet determined the impact of AASB 13 on Nusep's financial statements for the future periods.

AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).
These Standards introduce a number of changes to accounting and presentation of defined benefit plans.
AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- for an offer that may be withdrawn – when the employee accepts;
- for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- where the termination is associated with a restructuring of activities under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Company has not yet determined the impact of AASB 13 on NuSep's financial statements for the future periods.

The financial report was authorised for issue in accordance with a resolution of the Directors on 30 September 2013.

2. Parent Entity Disclosures

The following information has been extracted from the books and records of Nusep Holdings Ltd and has been prepared in accordance with Accounting Standards.

	2013	2012
	$	$
		Restated
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**1,086,121**	1,298,919
TOTAL ASSETS	**1,171,410**	1,376,700
LIABILITIES		
Current liabilities	**1,092,099**	2,285,451
TOTAL LIABILITIES	**2,678,109**	2,336,982
EQUITY		
Issued capital	**27,799,395**	25,826,848
Accumulated losses	**(29,553,433)**	(27,028,134)
Options reserve	**247,337**	241,004
TOTAL EQUITY	**(1,506,699)**	(960,282)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit/(loss) for the year	**876,673**	(4,491,180)
Total comprehensive income/(expense) for the year	**876,673**	(4,490,180)

Refer to note 1(g) for details on prior year restatements Adjustment 1(g)(i) has been recognised in the Statement of Profit or Loss and Comprehensive Income and the Statement of Financial Position. Adjustments 1(g)(ii) and 1(g)(iii) have no impact on the company position.

Guarantees

NuSep Holdings Ltd has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

There has been a change in contingent liabilities since the last annual reporting date which is disclosed in Note 26 Non-Controlling Interest.

Contractual commitments

At 30 June 2013, NuSep Holdings Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2012: $nil).

3. Revenue / Other Income

	Notes	2013 $	2012 $ Restated
Sales revenue			
Sales of goods		**904,742**	1,310,515
Freight		**13,912**	11,924
Total revenue		**918,654**	1,322,439
Other income			
Grant income	17	**427,350**	794,744
Finance income		**30,598**	8,033
Gain on sale of assets		**3,756**	-
Other income		**88,499**	128,796
Total other income		**550,203**	931,573
Total Revenue and other income		**1,468,857**	2,254,012

Refer to note 1(g) for details on prior year restatements.

4. Loss for the year from continuing operations

Loss for the year is arrived at after charging / (crediting) the following amounts:

	Notes	2013 $	2012 $ Restated
Expenses			
Cost of sales of goods		**862,932**	813,361
Depreciation and amortisation:			
- Plant and equipment	15	**98,239**	147,165
- Leasehold improvements	15	**322,364**	141,229
- Intangible assets	16	**-**	131,247
Total depreciation and amortisation		**420,603**	419,641
Less: Leasehold improvements depreciation capitalised to intangible asset		**(112,365)**	-
Total depreciation and amortisation expenses		**308,238**	419,641
Finance costs:			
Interest expense on financial liabilities with related parties	28 (e)(iv)	**219,021**	48,420
Other Interest expense		**128,822**	19,330
		347,843	67,750
Salaries		**2,427,303**	2,630,223
Superannuation		**157,307**	169,249
Employee share based payments	28 (c)	**6,333**	5,387
Rental expense relating to operating leases	32	**244,059**	247,335
Write-off of obsolete stock		**-**	13,392
Impairment of Intangible Assets - Development Costs	16	**-**	3,538,189
Other expenses - Impairment (recoupment) of Other Debtors	10	**(75,000)**	1,384,177
Exchange losses		**77,060**	40,415

Salaries include amounts which have been capitalised under development expenditure. Details of amounts capitalised have been disclosed in note 16 to the financial statements. Refer to note 1(g) for details on prior year restatements.

5. Income Tax Expense

(a) Income tax expense

	2013	2012
	$	$
Current income tax expense	-	-
Deferred income tax	-	-
Income tax reported in the statement of profit or loss and other comprehensive income	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2013	2012
	$	$
		Restated
Accounting loss before tax from continuing operations	(2,620,874)	(6,256,960)
Accounting loss before income tax	(2,620,874)	(6,256,960)

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2013	2012
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012: 30%)	(786,262)	(1,877,088)
Less:		
Tax effect of:		
Non-deductible expenditure	160,732	121,879
Research and Development Tax Incentive (not taxable)	(477,892)	(447,609)
Losses carried forward	1,103,432	2,202,818
Income tax expense recorded in statement of profit or loss and other comprehensive income	-	-

Refer to note 1(g) for details on prior year restatements.

(c) Deferred income tax

Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences.

	2013	2012
	$	$
Deductible temporary differences	852,172	69,353
Tax losses	5,837,703	1,241,550
	6,689,875	1,310,903

Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Due to the value of tax losses and the group performance for the year, it is not considered probable that temporary differences will be utilised in the foreseeable future.

(d) Tax losses

The Group has separate tax entities within Australia, the United States and Singapore. All tax jurisdictions have tax losses, which are not recognised in their books at 30 June 2013. The unused tax losses held in the Australian group companies as at 30 June 2013 is $10,271,588 and a further $4,449,541 (USD 4,126,949) was held in the US companies and $1,069,112 (SGD 1,253,534 in the Singaporean company as at 30 June 2013. The tax losses are available, indefinitely for offset against future taxable profits of the companies in which losses arose within each tax jurisdiction.

6. Discontinued Operation

In March 2013 the Group sold its entire Software segment. The segment was not a discontinued operation or classified as held-for-sale as at 30 June 2012 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

	2013	2012
	$	$
Results of discontinued operation		
Revenue	**149,998**	341,566
Expenses	**(179,252)**	(632,491)
Results from operating activities	**(29,254)**	(290,925)
Income tax expense	**-**	-
Results from operating activities, net of tax	**(29,254)**	(290,925)
Impairment of investment in BioInquire	-	(3,143,765)
Reversal of contingent acquisition consideration	208,208	-
Gain on sale of discontinued operation	600,000	-
Tax on gain on sale of discontinued operation	**-**	-
Profit/(loss) for the year	**778,954**	(3,434,690)

	2013	2012
	$	$
Cash flows from discontinued operation		
Net cash flows used in operating activities	(224,347)	(228,077)
Net cash flows from investing activities	600,000	-
Net cash flows from financing activities	198,199	231,333
Net cash flow for the year	573,852	3,256

	2013	2012
	Cents	Cents
Earnings per share - discontinued operations		
– basic earnings/(loss) per share	**0.63**	(3.51)
– diluted earnings/(loss) per share	**0.63**	(3.51)

7. Earnings per share

The income and share data used in the basic and diluted earning per share computation is:

	2013	**2012**
	$	**$**
		Restated
Loss after tax from continuing operations	**(2,620,874)**	(6,256,960)
Profit/(loss) from discontinued operations	**778,954**	(3,434,690)
Net loss for the year	**(1,841,920)**	(9,691,650)
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**124,502,553**	98,000,543
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**124,502,553**	98,000,543

Information concerning the classification of securities

Options

Options granted under the NuSep Holdings Ltd Directors, Employee and Consultants Share Option Plan are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share as they are considered anti-dilutive. There were 1,000,000 options on issue at the end of the 2013 financial year and 1,250,000 on issue at the end of 2012 financial year. Details relating to the options are set out in Note 24.

8. Current Assets – Cash and Cash Equivalents

	2013	2012
	$	$
Cash at bank	**142,992**	173,447
Call deposit	**37,950**	-
Cash and cash equivalents in the statement of cash flows	**180,942**	173,447

9. (a) Reconciliation of operating loss to net cash outflow from operating activities

	2013	2012
	$	$
		Restated
Loss from ordinary activities after income tax expense:	**(1,841,920)**	(9,691,650)
Adjustment for non-cash items:		
Depreciation	**308,237**	581,874
Net finance cost	**338,546**	8,033
Shares issued in lieu of general and administration costs	**10,000**	25,676
Gain on sale of property, plant and equipment	**(3,756)**	-
(Gain) / loss arising on discontinued operation	**(778,833)**	3,272,457
Gain on liability reversal	**(4,693)**	-
Impairment of intangible assets and other receivables	**-**	4,922,365
FX translation reserve	**(51,518)**	(29,014)
Share option reserve movement	**6,334**	5,387
	(2,017,603)	(904,871)
Change in operating assets and liabilities:		
(Increase) / Decrease in inventories	**(29,853)**	69,891
Decrease / (Increase) in trade receivables	**139,365**	(38,799)
(Increase) / Decrease in other operating assets	**(212,154)**	9,910
(Decrease) / Increase in trade payables	**(192,710)**	369,914
Increase in short term provisions	**62,754**	53,313
Increase in deferred income	**1,219,953**	-
Increase in long term provisions	**46,999**	21,194
Cash used in operating activities	**(983,249)**	(419,449)
Interest paid	**(4,721)**	(15,594)
Net cash outflows from operating activities	**(987,970)**	(435,043)

Refer to note 1(g) for details on prior year restatements.

(b) Non-cash financing and investing activities

Non-cash financing and investing activities are outlined below

		2013	2012
		$	$
	Notes		Restated
Shares issued in lieu of:			
Services		**10,000**	25,676
Underwriting fees		**30,000**	102,554
Conversion of loans	**28 (e)(v)**	**589,824**	30,000
Conversion of interest		**-**	2,572
Convertible notes		**-**	375,000
		629,824	535,802

The group also acquired property, plant and equipment and embedded intellectual property for $5,167,531 as part of a non-cash transaction during the year. Refer to Note 26 for further details.

10. Current Assets – Trade and Other Receivables

	2013	2012
	$	$
		Restated
Trade receivables	**62,703**	180,339
Tax receivables	**369,105**	32,624
Other receivables *	**1,315,440**	1,384,177
Impairment of other receivables	**(1,315,440)**	(1,384,177)
	431,808	212,963

Refer to note 1(g) for details on prior year restatements.

* On 25 November 2011, Mr Thee Woon Goh, a non-executive director of the Singapore subsidiary, Prime Biologics Pte Ltd, exercised 12,622,691 15¢ share options which had an expiry date of 31 March 2012. As previously advised to the markets, the payment was not received by the Company when due in November 2011 and the Company entered into a commercial arrangement with Mr. Goh to settle this debt. During the period to 30 June 2013 Mr. Goh had reduced the debt by $75,000. The balance of the debt still owing at 30 June 2013 was $1,315,440. While this commercial debt relates to an equity raising, the applicable accounting standard has required that this amount be written off to the 30 June 2012 Statement of Profit or Loss. Any future payments received will subsequently be shown as a reversal of this impairment. A commercial debt agreement was executed in September 2012 with Mr Goh, and also a formal lien placed over the related shares. The Company will commence recovery proceedings if settlement is not forthcoming.

Credit Risk — Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within this note The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia, the United States of America and Singapore given the substantial operations in those regions.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with aging analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. Payment terms are general 30-45 days from date of invoice, except for other receivables which includes the receivable from Mr Thee Woon Goh.

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

	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	>90	
2013							
Trade receivables	**62,703**	**-**	**32,995**	**1,885**	**-**	**-**	**27,823**
Tax receivables	**369,105**	**-**	**-**	**-**	**-**	**-**	**369,105**
Other receivables	**1,315,440**	**(1,315,440)**	**-**	**-**	**-**	**-**	**-**
Total	**1,747,248**	**(1,315,440)**	**32,995**	**1,885**	**-**	**-**	**396,928**
2012							
Trade receivables	**180,339**	**-**	**17,780**	**425**	**13,424**	**24,384**	**124,326**
Tax receivables	**32,624**	**-**	**-**	**-**	**-**	**-**	**32,624**
Other receivables	**1,384,177**	**(1,384,177)**	**-**	**-**	**-**	**-**	**-**
Total	**1,597,140**	**(1,384,177)**	**17,780**	**425**	**13,424**	**24,384**	**156,950**

Trade receivables are to be collected within the allowed trading terms. Other receivables include the receivable from Mr Thee Woon Goh, refer to Note 28(e)(vii).

11. Current Assets – Inventories

	2013 $	2012 $
Raw materials – at cost	**218,585**	251,810
Finished goods – at cost	**183,962**	130,158
Less: provision for obsolete inventory	**(2,167)**	(11,441)
	400,380	370,527

12. Current Assets – Other Assets

	Notes	2013 $	2012 $ Restated
Cash deposit rental bond		**83,743**	-
Prepaid expenses		**41,963**	17,981
Amount receivable under R&D Tax Incentive Scheme		**1,647,904**	1,543,479
Taxes payable to tax authorities	20	**(698,413)**	(410,429)
		1,075,197	1,515,031

Refer to note 1(g) for details on prior year restatements.

13. Non-Current Assets – Other Assets

	2013 $	2012 $
Cash deposit rental bond	**531,277**	6,452
	531,277	6,452

14. Non-Current Assets – Available-for-Sale Financial Assets

	2013 $	2012 $
Available-for-sale financial assets		
Shares in unlisted corporation - at cost	**300,000**	300,000

Available-for-sale financial assets comprise investments in the ordinary issued capital of an unlisted public company. There are no fixed returns or fixed maturity dates attached to this investment.

Reconciliations

Reconciliations of the carrying amounts of financial assets at the beginning and end of the current financial year are set out below.

	Financial Assets $
Consolidated 2012	
Carrying amount at 1 July 2011	300,000
Carrying amount at 30 June 2012	**300,000**

	Financial Assets $
Consolidated 2013	
Carrying amount at 1 July 2012	300,000
Carrying amount at 30 June 2013	300,000

15. Non-Current Assets – Property, plant and equipment

	2013 $	2012 $ Restated
Plant and equipment – at cost	**6,107,059**	926,400
Less: accumulated depreciation	**(483,404)**	(406,595)
Total property, plant and equipment	**5,623,655**	519,805
Leasehold improvements – at cost	**1,935,585**	638,057
Less: accumulated amortisation	**(731,940)**	(410,737)
Total leasehold improvements	**1,203,645**	227,320
Total property, plant and equipment	**6,827,300**	747,125

Refer to note 1(g) for details on prior year restatements.

Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Plant & Equipment $	**Leasehold Improvements $**	**Total $**
2012			
Restated			
Carrying amount at 1 July 2011	650,120	368,867	1,018,987
Additions	15,335	-	15,335
Exchange differences	1,515	(318)	1,197
Depreciation expense	(147,165)	(141,229)	(288,394)
Carrying amount at 30 June 2012	519,805	227,320	747,125

	Notes	**Plant & Equipment $**	**Leasehold Improvements $**	**Total $**
2013				
Carrying amount at 1 July 2012		519,805	227,320	**747,125**
Additions	26	4,814,383	1,307,032	**6,121,415**
Exchange differences		401,193	(8.343)	**392,850**
Disposals		(13,487)	-	**(13,487)**
Depreciation expense		(98,239)	(322,364)	**(420,603)**
Carrying amount at 30 June 2013		**5,623,655**	**1,203,645**	**6,827,300**

16. Non-Current Assets – Intangible Assets

	Notes	**2013** $	2012 $ Restated
Internal development and acquired through acquisition– at cost		**5,500,612**	9,962,056
Impairment charges		**-**	(6,681,954)
Exchange differences		**353,806**	-
Less: accumulated amortisation		**-**	(131,247)
Less: accumulated deferred income	17	**(1,969,288)**	(748,735)
Total intangible assets		**3,885,130**	2,400,120

Refer to note 1(g) for details on prior year restatements.

Reconciliations
Reconciliations of the carrying amounts of intangible assets at the beginning and end of the current financial year are set out below.

	Notes	Development Costs $
2012		
Restated		
Carrying amount at 1 July 2011		7,391,062
Internal development		2,570,994
Impairments *		(6,681,954)
Amortisation expense	4	(131,247)
Deferred income	17	(748,735)
Carrying amount at 30 June 2012		2,400,120

* Impairments include the amount of $3,044,126 related to the carrying value of the IQ business division (included in Discontinued Operations). The Group impaired the carrying value as the IQ business division had not performed to the levels as expected on acquisition.

	Notes	Development Costs $
2013		
Carrying amount at 1 July 2012		**2,400,120**
Internal development		**2,351,757**
Exchange differences		**353,806**
Deferred income	17	**(1,220,553)**
Carrying amount at 30 June 2013		**3,885,130**

The Company capitalises development costs based on time spent by employees, the type of project, geographic location, related development tasks and other related factors. With respect to the capitalised development costs incurred in the PrIME large scale Singapore project, salaries and related costs, totalling $990,348 (2012: $1,272,048) have been deemed to be directly related to the development of the PrIME large scale asset and have therefore been capitalised.

Break down by project

The development costs that were capitalised at 30 June 2013 relate to the R&D projects in the table below. These assets under development are subject to recoverability assessment with the frequency and as described in Note 1 (o).

	Development Costs $
Project	
SpermSep	1,596,010
PrIME large scale	2,289,120
Carrying amount at 30 June 2013	**3,885,130**

17. Deferred income

	Notes	**30 June 2013 $**	30 June 2012 $
Total government grants		**1,647,903**	1,543,479
Less: Grant income recognised in profit or loss	3	**(427,350)**	(794,744)
Deferred income	16	**1,220,553**	748,735

Refer to note 1(g) for details on prior year restatements.

The Group has self-determined the eligibility of the R&D activities for the financial year 2012-13 which have been approved by. Innovation Australia. The Group has consistently been receiving this grant under the R&D Tax Incentive Scheme - previously R&D Tax Concession Scheme - for the last five years. The grant has been accounted for in accordance with *AASB120 Accounting for Government Grants*, refer to Note 1 (u).

Reconciliation of deferred income

Reconciliations of the carrying amounts of deferred income at the beginning and end of the current financial year are set out below:

	Deferred Revenue $
2012	
Restated	
Carrying amount at 1 July 2011	-
Increase during the year	748,735
Carrying amount at 30 June 2012	748,735

	Deferred Revenue $
2013	
Carrying amount at 1 July 2012	**748,735**
Increase during the year	**1,220,553**
Carrying amount at 30 June 2013	**1,969,288**

18. Current Liabilities – Trade and Other Payables

	Notes	**2013 $**	2012 $ Restated
Unsecured Liabilities			
Trade payables		**1,848,516**	1,180,048
Government grants refundable		**101,000**	180,000
Payable to related parties	28 (e)(i)	**108,631**	233,773
Other creditors and accruals		**658,066**	676,345
		2,716,213	2,270,166

Refer to note 1(g) for details on prior year restatements.

Trade payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. Included in Trade payables are creditors to the value of SG$886,737 and US$238,494 converted at an exchange rate of 1.17 and 0.93 respectively. Included in current liabilities is $101,000 refundable on a previous received government grant. Included in other creditors and accruals are creditors to the value of SG$42,325 and US$144,152 converted at an exchange rate of 1.17 and 0.93 respectively.

19. Current Liabilities – Interest Bearing Liabilities

	Notes	**2013 $**	2012 $
Unsecured:			
Loans from related parties	28 (e) (ii) & (iii)	**302,623**	1,068,422
Convertible loan note		**176,632**	-
		479,255	1,068,422

The convertible loan note is secured with a fixed and floating charge over all of Prime Biologics Pte Ltd (PrIME) assets including PrIME SG$6,000,000 Singapore facility (refer to Note 26) and ranks ahead of PrIME's ordinary shares and the loans to NuSep Holdings Ltd and NuSep Pty Ltd. The interest rate for the loan is 15% per annum payable at maturity on 30th September 2013. The loan principal and interest may be converted at the discretion of the lender at maturity into fully paid ordinary shares in PrIME.

20. Current Liabilities - Tax Liabilities

Tax liabilities relate to amounts owing to Australian, Singaporean and USA taxation authorities. A portion of the liability owing to Australian Taxation Office has been offset against the R&D incentive grant receivable balance. There is an established precedence of offset and the directors expect to receive a net payment after year end, refer to Note 12.

21. Current Liabilities – Provisions

	2013 $	2012 $
Provision for employee benefits	**333,218**	270,464

22. Non-Current Liabilities – Interest Bearing Liabilities

	Notes	2013 $	2012 $
Loans from related parties - secured	28 (e) (ii) & (iii)	**1,495,561**	-
Government loan - unsecured		**72,742**	-
		1,568,303	-

The government loan amount represents the first instalment of a loan awarded to Prime Biologics Pte Ltd by the Economic Development Board (EDB) in Singapore. The first repayment of the loan shall be made no later than 31 August 2014. The total repayment of the loan, based on cumulative disbursement and inclusive of all accrued interest, shall be completed within 3 years of the first payment date. Interest rate is 10% per annum accruing after 1 March 2014.

23. Non-Current Liabilities – Provisions

	2013 $	2012 $
Provision for employee benefits	**134,821**	87,822

	2013 $	2012 $
Provision for employee benefits		
Opening balance 1 July	**358,286**	283,979
Provision utilised	**(128,650)**	(120,320)
Provision expense	**238,403**	194,627
Closing balance 30 June (Notes 21 and 23)	**468,039**	358,286

	2013 $	2012 $
Provision for make good costs	**1,270,690**	-

Refer to Note 32(b) for further details on this provision.

Analysis of Total Provisions

	2013 $	2012 $
Current provision for employee benefits (Note 21)	**333,218**	270,464
Non-current provision for employee benefits (Note 23)	**134,821**	87,822
Non-current provision for make good (Note 23)	**1,270,690**	-
Aggregate of provisions	**1,738,729**	358,286

24. Issued Capital

	2013 Shares	2012 Shares	**2013 $**	2012 $
(a) Share Capital				
Ordinary Shares – fully paid	**138,163,141**	107,921,501	**27,799,395**	25,826,848

(b) Movements in ordinary share capital of the company during the period were as follows:

	Notes	**30 June 2013 $**	30 June 2012 $
Balance at 1 July		**25,826,848**	21,891,153
Share issue under share placement/ offer		**1,667,978**	2,472,803
Shares issue		**-**	116,846
Options exercised		**5**	1,897,525
Share issue on conversion of Convertible Notes		**-**	375,000
Share issue on conversion of loans	28 (e)(v)	**589,824**	-
		28,084,654	26,753,327
Less - transaction costs arising on share issues	28 (e)(v)	**(285,259)**	(926,479)
Balance at 30 June		**27,799,395**	25,826,848

	Notes	**30 June 2013 Number of Shares**	30 June 2012 Number of Shares
Balance at 1 July		**107,921,501**	73,051,172
Share issue under share placement/ offer		**21,815,582**	18,471,267
Options exercised *		**-**	12,649,062
Share issue on conversion of Convertible Notes		**-**	3,750,000
Share issue on conversion of loans	28 (e)(v)	**8,426,058**	-
Balance at 30 June		**138,163,141**	107,921,501

During a share placement in 2011 NuSep Holdings Limited issued shares to itself which were not immediately placed. During the financial year, the group has placed the balance of these shares to non-related parties. As at 30 June 2013, there were no such shares held by NuSep Holdings Limited.

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) *Listed Options*

At 30 June 2012 there were 29,188,036 listed options on issue to shareholders. The listed options had an exercise price of 35 cents and they had not been exercised at their expiration date 1 September 2012. No share options were issued during the 2013 financial year.

(e) *Unlisted Options*

Set out in the table below are summaries of options issued, exercised and lapsed during the year.

Grant date	Expiry Date	Vesting commencement date	Exercise price	Balance at start of year	Issued during the year	Exercised during the year	Lapsed /Cancelled during the year	Balance at end of the year
Consolidated and parent entity – 2013:								
Directors Options								
16 October 2011	1 March 2015	16 October 2011	$0.40	500,000	-	-	-	**500,000**
16 October 2011	1 March 2015	1 March 2012	$0.50	500,000	-	-	-	**500,000**
16 October 2011	1 March 2015	1 March 2013	$0.60	250,000	-	-	250,000	**-**
Total				1,250,000	-	-	250,000	**1,000,000**

The number of options over ordinary shares in NuSep issued to directors during the year are as follows:

2013	Balance at start of year	Granted as remuneration	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
John Manusu	500,000	-	-	-	500,000	500,000	-
Dr Hari Nair	500,000	-	-	-	500,000	500,000	-
Iain H. Sorrell	250,000	-	-	250,000	-	-	-
Total	1,250,000	-	-	250,000	1, 000,000	1, 000,000	-

2012	Balance at start of year	Granted as remuneration	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
John Manusu	-	500,000	-	-	500,000	400,000	100,000
Dr Hari Nair	-	500,000	-	-	500,000	400,000	100,000
Iain H. Sorrell	-	250,000	-	-	250,000	200,000	50,000
Total	-	1,250,000	-	-	1,250,000	1, 000,000	250,000

(f) Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues. There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

25. Reserves

Nature and purpose of reserves

Share options reserve
The share option reserve is used to recognise the fair value of options and shares issued to employees.

Foreign currency translation reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

26. Non-controlling interest

Prime Biologics Pte Ltd acquired property, plant and equipment and embedded intellectual property from A-Bio Pharma Pte Ltd (Luye). The consideration can be settled at Prime Biologics Pte Ltd's discretion in cash or shares subject to certain pre-conditions. A liability to pay S$6,000,000 ($5,117,271) in cash may arise if an investor in PrIME Biologics Pte Ltd is not secured, the Company is currently in discussions with Luye to extend the settlement date. In the event consideration is settled in equity, there is an option for Luye to subscribe for an additional 10% of the equity in Prime Biologics Pte Ltd for a fixed subscription of S$6,000,000. This option has been valued at $50,260 and recognised at 30 June 2013 as part of Non-controlling Interest.

	2013 $	2012 $
Non-controlling interest - Settlement in cash or equity	**5,117,271**	-
Non-controlling interest - Fair Value of share option	**50,260**	-
	5,167,531	-

27. Auditors' Remuneration

In May 2013, KPMG were appointed as auditors of NuSep Holdings Ltd.

	2013 $	2012 $
Amounts receivable or due and receivable by KPMG for:		
Audit & Assurance services		
Audit of financial report – opening balances	**25,000**	-
Audit of financial report – year end	**75,000**	-
Total remuneration for services	**100,000**	-

	2013 $	2012 $
Amounts receivable or due and receivable by prior auditor for:		
Audit & Assurance services		
Audit of financial report- year end	**-**	30,000
Review of financial report- half-year	**10,500**	-
Total remuneration for services	**10,500**	30,000

28. Directors and executive disclosures

(a) Details of Key Management Personnel

(i) Directors

Mr John Manusu	Chairman
Dr Hari Nair	Deputy Chairman (Managing Director until 30 November 2012)
Mr Prakash Patel	Managing Director (Appointed 1 December 2012)
Mr Andrew Goodall	Non-Executive Director
Mr Clifford Eu	Non-Executive Director (Appointed 1 December 2012)
Mr Iain Howard Sorrell	Non-Executive Director (Resigned 30 November 2012)
Mr David Roffe	Non-Executive Director (Resigned 30 November 2012)
Mr Ward Wescott	Non-Executive Director (Resigned 30 November 2012)

(ii) Executives

Dr John Andrews	Director of PrIME Instrumentations
Mr Matthew Loggie	Director of Operations
Mr Thee Woon Goh	Non-Executive Director of Prime Biologics Pte Ltd in Singapore

(b) Remuneration of Key Management Personnel

	2013	2012
	$	$
Short-term employee benefits	**1,453,745**	1,608,249
Post-employment benefits	**70,258**	69,958
Share-based payments	**6,333**	5,387
	1,530,336	1,683,594

(c) Share based compensation - Options

Options remuneration has been calculated in accordance with the fair value measurements provisions of *AASB 2 "Share Based Payments"*. The fair value of each option is estimated at grant date using Black-Scholes option pricing model.

The amount of options remuneration is determined on a pro rata basis, by expensing the fair value estimate of each option over the vesting period and the individual option grant. The share based expenses for options remuneration has been recognised as an expense through profit or loss and held as part of the share options reserve in the statement of financial position.

(i) Options holding of directors and executives

Directors

There were 1,000,000 share options on issue at 30 June 2013 and 1,250,000 share options on issue at 30 June 2012.

Executives

There were no share options on issue during the 2013 and 2012 financial year.

(ii) Options granted & vesting period

Directors

There were 1,000,000 share options on issue at 30 June 2013 and 1,250,000 share options on issue at 30 June 2012.

Executives

There were no share options on issue during the 2013 and 2012 financial year.

(iii) Options exercised during the year

No options were exercised during the 2013 and 2012 financial year.

(d) Shareholding of directors and executives

The numbers of shares in the company held during the financial year by each current Director, and executives of NuSep Holdings Ltd and its subsidiaries are set out below. There were no shares granted during the reporting period as compensation.

Directors

Name	Balance at start of the year	Ordinary shares issued resulting on the exercise of options	Other changes	Balance at the end of the year
2013				
John Manusu	4,044,867	-	2,428,571	6,473,438
Dr Hari Nair	1,238,680	-	571,428	1,810,108
Iain Howard Sorrell #	1,101,328	-	(1,101,328)	-
David Roffe #	5,000	-	(5,000)	-
Ward Wescott #	2,100,093	-	(2,100,093)	-
Andrew Goodall	19,000,000	-	5,093,856	24,093,856
Clifford Eu *	-	-	13,695,453	13,695,453
Prakash Patel *	2,446	-	-	2,446
Total	27,492,414	-	18,582,887	46,075,301

* Directors appointed during the year. # Directors resigned during the year.

Name	Balance at start of the year	Ordinary shares issued resulting on the exercise of options	Other changes	Balance at the end of the year
2012				
John Manusu	2,342,867	-	1,702,000	4,044,867
Dr Hari Nair	1,038,680	-	200,000	1,238,680
Iain Howard Sorrell	902,328	-	199,000	1,101,328
David Roffe *	-	-	5,000	5,000
Ward Wescott *	-	-	2,100,093	2,100,093
Andrew Goodall *	-	-	19,000,000	19,000,000
Total	4,283,875	-	23,206,093	27,489,968

Executives

Name	Balance at start of the year	Ordinary shares issued resulting on the exercise of options	Other changes	Balance at the end of the year
2012				
Prakash Patel	2,446	-	-	2,446
Total	2,446	-	-	2,446

(e) Other transactions with key management personnel

i) Director fees: as outlined in Note 18 at 30 June 2013 the amount of $108,631 was payable to Directors of NuSep Holdings Ltd as follows: David Roffe $41,944, Iain Sorrell $35,833, Andrew Goodall $15,813, Clifford Eu $7,917 and Ward Wescott $7,124.

ii) Loans payable to current directors: at 30 June 2013 $310,747 was payable to current Directors as follows: John Manusu $253,187, Prakash Patel $20,309, Andrew Goodall $20,089 and Hari Nair $17,162. These loans are unsecured and accrue an interest rate of 12% per annum. The current portion of this balance for $37,471 is included in Note 19 while the non-current portion for $273,277 is included in Note 22.

iii) Loans payable to a company related to a current director: at 30 June 2013 $1,487,436 was payable to Ti Rakau Developments Ltd, a company related to but not controlled by Andrew Goodall. This loan is secured over the assets of NuSep Holdings Ltd and accrues an interest rate of 20% per annum. The current portion of this balance for $265,152 is included in Note 19 while the non-current portion for $1,222,284 is included in Note 22. The lender has the ability to convert the loan into equity subject to shareholder approval and relevant regulatory compliance.

iv) Finance costs: during the financial year the amount of $219,021 was expensed as finance costs from financial liabilities, the amount related to liabilities held with Directors was $40,400 and with Ti Rakau Developments Ltd was $178,621, refer to Note 4.

v) Loans converted into shares: during the financial year post shareholder approval Directors' loans were converted into 8,426,058 ordinary shares for the amount of $589,824, refer to table below.

vi) The establishment fee on the provision of a lending facility to the Company by three Directors was approved by shareholders at the 2012 AGM and the 6% establishment fee ($90,000) was converted to shares at 7 cents per share.

Name **2013**	Number of Shares	Conversion of Loan $	Conversion of Establishment fees $
Andrew Goodall	5,093,856	356,570	30,000
John Manusu	2,428,571	170,000	30,000
Dr Hari Nair	571,428	40,000	30,000
Iain Howard Sorrell	296,489	20,754	-
Ward Wescott	35,714	2,500	-
Total	8,426,058	589,824	90,000

vii) At 30 June 2013 $1,315,440 was receivable from a shareholder Mr Thee Woon Goh being the balance of the debt from the exercise of 15¢ share options in November 2011. NuSep has entered into a commercial arrangement with Mr Thee Woon Goh to settle this debt, refer to Note 10.

29. Related party transactions

(a) Ultimate Parent

NuSep Holdings Ltd (incorporated in Australia) is the ultimate parent entity.

(b) Wholly-owned group transactions

Transactions between NuSep Holdings Ltd and other entities in the wholly-owned group during the year ended 30 June 2013 consist of:

- the distribution of electrophoresis gels, biological products and provision of marketing services by NuSep Pty Ltd,
- the provision of management services by NuSep Holdings Ltd and NuSep Pty Ltd, and
- loans advanced by NuSep Holdings Ltd or controlled entities.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 28.

30. Controlled entities

Name of entity	Country of Incorporation	Class of share	Equity Holding 2013 %	Equity Holding 2012 %	
Subsidiaries of NuSep Holdings Ltd:					
NuSep Pty Ltd	Australia	Ordinary	100	100	
SpermGen Pty Limited	Australia	Ordinary	100	100	
NuSep Inc	United States	Ordinary	100	100	
InqSep Inc	United States	Ordinary	100	100	
Prime Biologics Pte Ltd	Singapore	Ordinary	90	100	
NuSep SDN BHD	Malaysia	Ordinary	99	99	Dormant
Kaogen Pty Ltd	Australia	Ordinary	100	100	
Prime Biologics Pty Ltd	Australia	Ordinary	100	100	

31. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and loans to and from subsidiaries.

(a) Credit Risk Exposures

The carrying amounts of financial assets included in the consolidated statement of financial position represent the economic entity's maximum exposure to credit risk in relation to these assets. The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with strong, creditworthy customers across all business segments.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing regular rolling cash flow forecasts in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- monitoring the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		**1 to 5 Years**		**Total**	
Consolidated Group	**2013**	2012	**2013**	2012	**2013**	2012
	$	$	$	$	$	$
Financial liabilities due for payment						
Trade and other payables	**2,716,213**	2,270,166	**77,742**	**-**	**2,788,955**	2,270,166
Interest bearing liabilities	**479,255**	1,068,422	**1,495,561**	**-**	**1,974,816**	1,068,422
Tax liabilities	**139,428**	282,184	**-**	**-**	**139,428**	282,184
Total expected outflows	**3,334,896**	3,620,772	**1,568,303**	**-**	**4,903,199**	3,620,772
Financial assets – cash flows realisable						
Cash and cash equivalents	**180,942**	173,447	**-**	-	**180,942**	173,447
Trade, term and loan receivables	**431,808**	212,964	**-**	-	**431,808**	212,964
Other current assets	**1,075,197**	1,151,031			**1,075,097**	1,151,031
Other investments	-	-	**300,000**	300,000	**300,000**	300,000
Total anticipated inflows	**1,687,947**	1,537,442	**300,000**	300,000	**1,987,947**	1,837,442
Net (outflow)/ inflow on financial instruments	**(1,646,949)**	(2,083,330)	**(1,268,303)**	300,000	**(2,915,252)**	(1,783,330)

(c) Market Risk

(i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. As at 30 June 2013 all of the Company's interest bearing liabilities are at fixed rate, therefore the Group is not exposed to interest rate risk.

(ii) Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group. The Group operates internationally and is exposed to foreign exchange risk primarily arising from currency exposures to the US, Singaporean and NZ dollars.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in different currencies, including the functional currency of the operations.

2013	**Net Financial Assets/(Liabilities) in AUD**			
Consolidated Group	**USD**	**SGD**	**NZD**	**Total AUD**
Financial Assets				
Cash and cash equivalents	15,705	38,749	-	54,454
Trade and other receivables	19,029	374,052	-	393,081
Other assets	2,943	596,411	-	599,354
Financial Liabilities				
Trade and other payables	(282,279)	(918,545)	-	(1,200,824)
Interest bearing liabilities - current	-	(176,632)	(265,152)	(441,784)
Tax liabilities	(57,239)	(10,517)	-	(67,756)
Interest bearing liabilities - non-current	-	(72,742)	(1,222,284)	(1,295,026)
Statement of financial position exposure	**(301,841)**	**(169,224)**	**(1,487,436)**	**(1,958,501)**

2012	**Net Financial Assets/(Liabilities) in AUD**			
Consolidated Group	**USD**	**SGD**	**NZD**	**Total AUD**
Financial Assets				
Cash and cash equivalents	50,073	366	-	50,439
Trade and other receivables	125,261	-	-	125,261
Financial Liabilities				
Trade and other payables	(685,822)	(123,510)	-	(809,332)
Tax liabilities	(160,207)	(2,834)	-	(163,041)
Interest bearing liabilities - current	-	-	(581,838)	(581,838)
Statement of financial position exposure	**(670,695)**	**(125,978)**	**(581,838))**	**(1,378,511)**

Sensitivity analysis

At 30 June 2013, had the Australian, Singaporean and New Zealand Dollar moved as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

	Post tax loss Higher/(Lower)	
	2013	2012
	$	$
Consolidated Group		
AUD / USD +13% / SGD +15% / NZD +13%	**(260,096)**	(152,785)
AUD / USD – 13%/ SGD -15% / NZD -13%	**260,096**	152,785

(d) Net Fair Value of Financial Assets and Liabilities

(i) On-Statement of financial position

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(ii) Off-Statement of financial position

There are no off statement of financial position financial assets and liabilities as at 30 June 2013.

32. Capital and Leasing Commitments

(a) Capital commitments

There are no commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities.

(b) Operating Lease Commitments

	2013	2012
	$	$
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**1,412,467**	232,984
Later than one year but not later than 5 years	**2,384,101**	49,042
Later than 5 years	**-**	-
	3,796,568	282,026
Representing:		
Non-cancellable operating leases	**3,796,568**	282,026
	3,796,568	282,026

At 30 June 2013 the Group has five operating leases for its production and commercial properties in the different countries where it operates. These are non-cancellable leases.

- In January 2013, Prime Biologics Pte Ltd, a subsidiary company in Singapore, secured the premises in Singapore signing a three year non-cancellable lease with an option to extend the term for a further three year period. The lease of this premises comprises three different lease contracts, all of them under the same terms, including the main premises, the ancillary space at car park, ground site, rooftop, basement and the office. Under the lease contract of the main premises Prime Biologics Pte Ltd took over the fixtures and fittings of the previous tenant A-Bio Pharma Pte Ltd and committed to a make good obligation at the conclusion of the lease. The estimated make good commitment at the commencement date was S$1,779,000 and, in line with accounting standards, a provision for this amount has been created and is reflected in other long-term provisions (refer to Note 23).
- The lease for the Homebush - Australia facility has a remaining non-cancellable lease term of 59 months.
- The lease for the Georgia - US facility has a remaining non-cancellable lease term of 23 months.

The commercial property leases include a clause to enable upward revision of the rental charge on commercially negotiated terms.

33. Segment Reporting

a) Business segments

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Consumable Products

The development, manufacture and distribution of pre-cast electrophoresis gels and other biological products into the marketplace. Distribution is based in Atlanta, Munich and Sydney with manufacturing in Sydney.

Separations

Develops and markets the PrIME technology in both the commercial and research markets, including the ProteomeSep and SpermSep devices. NuSep's patented PrIME technology is also currently in the process of being used to manufacture human blood plasma products in mini-plasma mills. The business unit is based in Sydney and Singapore.

Software

This business unit was sold in March 2013, refer to Discontinued Operation Note 6.

b) Geographical segments

Although the consolidated entity's divisions are managed on a global basis they operate in four main geographical areas:

Australia	- The home country of the parent entity which is also the main operating entity.
USA	- A focus market with distribution channels in place for the Consumable products division.
Singapore	- Comprises the development of the large scale PrIME technology.
Europe	- Comprises mainly of operations from the Consumable products division.
Other countries	- Comprises of sales to countries in addition to USA, Australia and Europe.

Further comments on the operations and the results of those operations are set out in the Directors' report.

2013	**Consumable products $**	**Separations $**	**(Discontinued) Software $**	**Consolidated $**
Revenues from sales or services	902,595	16,059	-	**918,654**
Revenues from outside the operating activities:				
Grant income	387,480	39,870	-	**427,350**
Interest income	15,299	15,299	-	**30,598**
Other income	89,908	2,347	-	**92,255**
Gain on sale of discontinued operation	-	-	600,000	**600,000**
Revenue from discontinued operation	-	-	149,998	**149,998**
Total segment revenue	1,395,282	73,575	749,998	**2,218,855**
Profit/(Loss) from continuing activities	93,846	(2,714,720)	-	**(2,620,874)**
Profit from discontinued activities	-	-	778,954	**778,954**
Profit /(Loss) after income tax expense	93,846	(2,714,720)	778,954	**(1,841,920)**
Depreciation and amortisation expense	231,788	188,815	-	**420,603**
Segment assets	1,203,496	12,428,538	-	**13,632,034**
Segment liabilities	868,787	5,773,141	-	**6,641,928**
Acquisition of capital assets	28,797	6,092,618	-	**6,121,415**

2012 Restated	**Consumable products** **$**	**Separations** **$**	**(Discontinued) Software** **$**	**Consolidated** **$**
Revenues from sales or services	1,294,944	27,495	-	**1,322,439**
Revenues from outside the operating activities:				
Grant income	479,424	315,320	-	**794,744**
Interest income	-	8,033	-	**8,033**
Other income	128,796	-	-	**128,796**
Revenue from discontinued operation	-	-	341,566	**341,566**
Total segment revenue	1,903,164	350,848	341,566	**2,595,578**
Loss from continuous activities	(1,469,395)	(4,787,565)	-	**(6,256,960)**
Loss from discontinued activities	-	-	(3,434,690)	**(3,434,690)**
Profit /(Loss) after income tax expense	(1,469,395)	(4,787,565)	(3,434,690)	**(9,691,650)**
Impairment of intangible assets	3,538,189	-	-	**3,538,189**
Depreciation and amortisation expense	135,424	111,923	172,294	**419,641**
Segment assets	44,012	5,288,167	29,486	**5,361,665**
Segment liabilities	1,604,710	2,374,348	-	**3,979,058**
Acquisition of capital assets	11,770	3,565	-	**15,335**

Refer to note 1(g) for details on prior year restatements.

Geographical segments

Although the consolidated entity's divisions are managed on a global basis they operate in the following geographical areas being Australia, USA, Singapore and Europe.

	Segment income		**Segment assets**	
	2013 **$**	2012 $ Restated	**2013** **$**	2012 $ Restated
Australia	**781,329**	1,119,953	**3,766,089**	3,612,419
USA	**1,304,370**	1,204,363	**206,107**	159,884
Singapore	**1,100**	-	**9,659,838**	1,589,362
Europe	**111,133**	132,170	**-**	-
Other countries	**20,923**	139,092	**-**	-
	2,218,855	2,595,578	**13,632,034**	5,361,665

Segment accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and accounting standard AASB 8 Segment Reporting. Segment revenue, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

Segment assets include all assets used by a segment and consist primarily of receivables, inventory, plant & equipment and deposits.

34. Events after Balance Date

The following events occurred subsequent to 30 June 2013:

a) The Company announced on 9th July 2013 that the Board of NuSep has resolved to convert approximately $1.7m of its long term debts, including Director loans, into convertible notes. The Company will seek shareholder approval at a future time to approve the issue of these convertible notes with a conversion price of 7¢ per share.
b) The Company announced on 26 th August 2013 that it had raised $1.2m through a share purchase plan and related share placement.

Except for the items discussed above no other matters or circumstances have arisen since 30 June 2013 that have significantly affected, or may significantly affect:

(a) The consolidated entity's operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The consolidated entity's state of affairs in future financial years.

35. Company Details

The registered office and principal place of business of the company is:
30 Richmond Road
Homebush, NSW 2140
Australia

Directors' Declaration

The directors of the company declare that:

(a) the attached financial statements and notes thereto and the Remuneration Report within the Directors Report, are in accordance with the *Corporations Act 2001* and:

  (i) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  (ii) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company and consolidated group;

(b) the Chief Executive Officer / Chief Finance Officer has declared in writing that:

  (i) the financial records of the company for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;
  (ii) the financial statements and notes for the financial year comply with Accounting Standards; and
  (iii) the financial statements and notes for the financial year give a true and fair view; and

(c) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

John Manusu
Chairman

Sydney
30 September 2013

Independent auditor's report to the members of NuSep Holdings Limited

Report on the financial report

We have audited the accompanying financial report of NuSep Holdings Limited (the Company), which comprises the consolidated statements of financial position as at 30 June 2013, the consolidated statement of comprehensive profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independent auditor’s report to the members of NuSep Holdings Limited (continued)

Independence

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

Auditor’s opinion

In our opinion:

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

(i) giving a true and fair view of the Group’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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1(a) to the financial report. Matters set forth in Note 1(a) indicate the existence of a material uncertainty which may cast doubt about the Group’s ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Restatement of comparative balances

Without modification to the opinion expressed above, we draw attention to Note 1(g) to the financial report, which states that the comparative balances have been restated to correct errors identified in the 30 June 2012 financial report. The financial report of NuSep Holdings Limited for the year ended 30 June 2012 was audited by another auditor who issued a disclaimer of opinion on that financial report on 28 September 2012.

Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 13 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 auditing standards.

Independent auditor's report to the members of NuSep Holdings Limited (continued)

Report on the remuneration report (contd.)

Auditor's opinion

In our opinion, the remuneration report of NuSep Holdings Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Carlo Pasqualini

Partner

Sydney

30 September 2013

Shareholder Information

The shareholder information set out below was applicable as 26 September 2013.

A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

	Number of Ordinary Shares
1 – 1,000	46,579
1,001 – 5,000	501,808
5,001 – 10,000	521,433
10,001 – 100,000	11,566,479
100,001 – Over	152,285,049
	164,921,348

There were 473 holders of less than a marketable parcel of ordinary shares, total shares held is 949,820 and represents 0.57% of total issued capital.

B. Equity Security Holders

Twenty Largest Quoted Equity Security Holders

The name of the twenty largest holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number Held	Percentage of issued shares
Andrew Ernest Goodall	24,427,189	14.81
Thee Woon Goh	13,182,691	7.99
Ying Ming Chiu & Miew Choo Teoh <Chiu Superfund A/C>	7,870,402	4.77
Premium Investment Holdings Pte Ltd	6,666,667	4.04
John Manusu	6,160,165	3.74
HSBC Custody Nominees (Australia) Limited	6,022,765	3.65
Euco Investments Pte Ltd	6,000,000	3.64
Lee Swee Yin	5,000,000	3.03
Liew Wing Kong	4,857,142	2.95
Marjorie Anne Goodall	3,461,195	2.10
Rosemary Lyn Manusu	3,057,719	1.85
B Arthur Pty Ltd <Barry Arthur Super Fund A/C>	2,479,017	1.50
Chang Seow Ying Alison	2,360,855	1.43
Spee Nominees Pty Ltd <The Spee Family S/F A/C>	2,071,428	1.26
Balmain Securities Pty Ltd <Wessociates Superfund A/C>	1,799,618	1.09
Hammond Royce Corporation Pty Ltd <Len David S/F A/C>	1,783,770	1.08
Chenicheri Nair	1,723,532	1.05
Eu Yee Fong Clifford	1,672,725	1.01
Iain Howard-Sorrell	1,397,817	0.85
UDB Pty Limited <The Boettcher Family A/C>	1,200,500	0.73
	103,195,197	62.57

C. Substantial Shareholders as at 26 September 2013

Ordinary shares

	Number held	Percentage
Andrew Ernest Goodall	24,427,189	14.81
Clifford Eu	13,695,543	8.30
Thee Woon Goh	13,182,691	7.99
Ying Ming Chiu	8,313,330	5.00

D. Unquoted Equity Securities

	Number on Issue	Number of Holders
NuSep Holdings Ltd Directors, Employee and Consultants Option Plan	1,000,000	2
	1,000,000	2

E. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary Shares
On a show of hands, one vote for every member or proxy of a member present and entitled to vote. On a poll, every member shall have one vote for each fully paid share held.

(b) Options
No voting rights.

Corporate Directory

NuSep Holdings Ltd
ABN 33 120 047 556

Directors
John Manusu (Chairman)
Dr Hari Nair (Deputy Chairman)
Prakash Patel (Managing Director)
Andrew Goodall (Non-Executive Director)
Clifford Eu (Non-Executive Director)

Company Secretary
Prakash Patel

Registered Office
30 Richmond Road
Homebush, NSW 2140
Australia

Tel: 61 2 8415 7300
Fax: 61 2 8415 7399
Email: info@NuSep.com
Website: www.NuSep.com

Share Registry
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney, NSW 2000

Solicitors
HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
Sydney, NSW 2000

Auditors
KPMG
10 Shelley Street
Sydney, NSW 2000

NuSep

Experts in protein discovery