

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

**Annual Financial Report
for the year ended 30 June 2014**

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Directors' Report

The Directors present their report, together with the consolidated financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2014 and the audit report thereon.

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:

Ms Alison Coutts	Chairman (Appointed 29 November 2013) Executive Chairman (Appointed 10 February 2014)
Mr John Manusu	Chairman (Resigned 29 November 2013)
Dr Hari Nair	Deputy Chairman (Resigned 29 November 2013)
Mr Prakash Patel	Managing Director (Resigned 6 February 2014) Non-Executive Director (Appointed 7 Feb 2014, resigned 10 Sep 2014)
Mr Andrew Goodall	Non-Executive Director
Mr Walter S. Van der Mye	Non-Executive Director (Appointed 2 Dec 2013, resigned 28 April 2014)
Mr Clifford Eu	Non-Executive Director (Resigned 29 November 2013)
Mr Michael Graham	Non-Executive Director (Appointed 10 September 2014)

Company Secretary

Ms Elissa Hansen was appointed as the Company Secretary on 10 February 2014, taking over from Dr van der Mye, who was Company Secretary from 19 December 2013 to 10 February 2014. Mr Patel was Company Secretary from 1 July 2013 to 19 December 2013. Information on Dr van der Mye and Mr Patel appears below in the Directors summaries.

Elissa is an experienced Chartered Secretary with over 15 years' experience advising management and boards on investor relations, governance, compliance and other corporate issues. She is an Associate Member of the Institute of Chartered Secretaries Australia and Graduate Member of the Australian Institute of Company Directors. She holds a Bachelor of Commerce and a Graduate Diploma in Applied Corporate Governance.

Names, Qualifications, Experiences, Special Responsibilities and Shareholding	Shares interests & listed options at the reporting date
Ms Alison Coutts B.E (Chem), MBA, Grad Dip Biotech Non-Executive Chairman from 30 November 2013 and Executive Chairman since 10 February 2014. Member of the Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee. Ms Coutts has extensive international experience in a wide number of fields including stockbroking and investment banking, engineering project management, strategy consulting, management training and executive search. In addition she has co-founded a clinical stage drug development company, two medical device companies and managed a mining exploration company. Ms Coutts is an independent non-executive director of DataDot Technology (ASX: DDT).	Direct 51,724 ordinary shares Indirect Nil
Andrew Goodall Non-Executive Director Member of Audit and Risk until 29 November 2013 and member of the Remuneration and Nomination Committee Mr Goodall, a significant shareholder in NuSep, runs a large private business involved in Commercial Property in Australia and New Zealand.	Direct 13,548,300 ordinary shares Indirect 14,250,000

Directors' Report

Names, Qualifications, Experiences, Special Responsibilities and Shareholding	Shares interests & listed options at the reporting date
Michael Graham B.A., Grad Dip Mgt (QUT) Non-Executive Director and Member of the Audit and Risk Committee and Remuneration and Nomination Committee Mr Graham has been involved in a number of commercial ventures over the term of his career. Originally qualifying as a Company Secretary, Mr. Graham has worked in mining, retail and services. Mr. Graham spent 10 years working in the UK, US and Australia in Marketing Services in a division of WPP the global marketing communication group. Since 2010 Mr Graham has been the CEO of Mercurien Pty Ltd, a technology company focused on telemetry for motor vehicles.	Direct Nil Indirect Nil
John Manusu B.Com, F.Fin. Executive Chairman and Member of Audit Committee until 29 November 2013 Mr Manusu was the previous Chairman of NuSep Holdings Ltd, having previously been the Managing Director. Mr Manusu has over 20 years' experience running biotechnology companies. Mr Manusu stepped down from an executive role in NuSep Holdings Ltd in November 2013 as part of a corporate restructure in order to focus on PrIME Biologics Pte Ltd, where he holds the position of Executive Chairman.	Direct 9,631,178 ordinary shares Indirect 907,178 ordinary shares
Dr. Hari Nair BSc (Hons), PhD (Med & Clin Sci), MAIboil, MOIF (Cambridge) Deputy Chairman and Chairman of the Remuneration and Nomination Committee until 29 November 2013 Dr Nair was the Deputy Chairman of NuSep Holdings Ltd having been Managing Director and Chief Executive Officer. Dr Nair is a specialist in cardiovascular medicine and haematology and has run biotechnology companies in Australia and the US. Dr Nair stepped down from an executive role in NuSep Holdings Ltd in November 2013 as part of a corporate restructure in order to focus on PrIME Biologics Pte Ltd, where he holds the position of Managing Director.	Direct 2,005,548 ordinary shares Indirect 1,928 ordinary shares
Prakash Patel B.A (Comm), CPA Managing Director until 6 February 2014 Non-Executive Director and Member of the Audit Committee until 10 September 2014. Mr Patel stepped down as Managing Director and Chief Executive Officer on 6 February 2014 but continued in the role of Non-Executive Director up to 10 September 2014.	Direct 338,680 ordinary shares Indirect 10,399
Clifford Eu B.E. (Elec) Non-Executive Director and Member of the Remuneration and Nomination Committee until 29 November 2013 Mr Eu has over 25 years senior management experience. He is the Group Managing Director, International, of Eu Yan Sang International Limited, a listed natural healthcare and health supplements business with distribution through SE Asia, China, Australia and North America.	Direct 1,672,725 ordinary shares Indirect 2,360,865
Dr Stephen van der Mye, BCom, PhD, Grad Dip Applied Corp Gov, FAICD, CPA Non-Executive Director and Chairman of Audit committee and Member of Remuneration and Nomination Committee from 2 December 2013 until 28 April 2014 Dr van der Mye has an extensive background at executive and non-executive director level in a broad cross section of listed and unlisted public and private companies and not – for-profit and government enterprises.	Direct Nil Indirect Nil

Directors' 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 2014 and the number of meetings attended by each Director.

Director	Board Meetings		Audit & Risk Committee Meetings		Remuneration and Nomination Committee Meetings	
	Attended	Held*	Attended	Held*	Attended	Held*
Ms Alison Coutts**	7	7	-	1	2	2
Mr Andrew Goodall	16	16	1	1	4	4
Mr Prakash Patel	16	16	2	2	-	-
Mr Walter (Stephen) van der Mye***	4	4	1	1	2	2
Mr John Manus****	10	10	1	1	-	-
Dr Hari Nair****	10	10	-	-	2	2
Mr Clifford Eu****	9	9	-	-	2	2

* Represents number of meetings held whilst director was in office during the year

** Appointed to the Board on 29 November 2013

*** Appointed to the Board on 2 December 2013 and resigned on 28 April 2014

**** Resigned from the Board on 29 November 2013

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 27 of the financial statements for a list of entities it controlled during the financial year.

Principal Activities

The Group is a for-profit entity and is primarily involved in the research, development, manufacture and sale of pre-cast electrophoresis gels, separations equipment and consumables and other biological products for the Life Science market. NuSep has three main areas of focus for separating high value biological substances from fluids, utilising its proprietary separation membranes and equipment:

- Animal and human sperm processing and selection through its SpermSep division;
- Membrane technology development; and
- Proteins from blood plasma separation, carried out by PrIME Biologics Pte Ltd, based in Singapore.

It also produces polyacrylamide gels and diagnostic products, predominantly for the biological research market, and separation membranes for internal use and for PrIME. Refer to Note 8 of the financial statements for details of changes in the activities of the Group during the current financial year.

PrIME

During the financial year ended 30 June 2014, NuSep spun off its technology for plasma fractionation in PrIME Biologics Pte Ltd in Singapore. PrIME is exclusively developing the blood plasma separation business with production from its Singapore cGMP manufacturing facility to supply Asian markets with high value proteins including albumin, immunoglobulin and clotting factors.

PrIME is using NuSep's membrane technology which has been shown in laboratory scale tests to be far more efficient and cheaper than current commercial plasma fractionating processes.

When NuSep entered the PrIME investment agreement, it resulted in the deconsolidation of PrIME as there was a loss of control by NuSep in the transaction. In late June 2014, PrIME received its first external investment of SGD\$6.4m, principally from Palau Manukan Ventures Labuan Ltd, a Malaysian venture capital fund. The investors received Series A preference shares which have control over all major decisions. NuSep, with Series B preference shares, is a passive investor but with a majority 77.5% shareholding on a converted basis. According to the Investment Agreement this shareholding is forecast to ultimately be around 62% after the last tranche of investment by Series A preference shareholders led by Palau Manukan Ventures Labuan Ltd.

Whilst NuSep considers that the investment has the potential to yield great value to NuSep shareholders in time, its value for present purposes has been calculated on a cost basis which is not a fair value valuation. Internal company analysis has indicated a current valuation to NuSep many fold greater than the SGD\$27 million pre-money value of PrIME paid by the series A investors, but given that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed at this stage, NuSep is precluded from measuring the investment at fair value.

The cost basis of the PrIME investment has been determined to be the debt on the cGMP facility in Singapore that NuSep agreed to accept from PrIME in order to obtain its investment share in PrIME. The liability amounted to AUD \$3.7m. Other expenses that NuSep incurred on PrIME's behalf in developing this business opportunity were not included as the investment transaction required the forgiveness of these debts. As a result, these debts have been impaired through profit or loss.

Directors' Report

SpermSep

SpermSep is focussing on the selection of the most viable sperm for use in fertility treatments including IVF for humans and artificial insemination (AI) for livestock.

The carrying value of this business is similar to the prior period, at \$1,670,576 (2013: \$1,596,010). This value is based on development costs capitalised to date. NuSep believes that there is far greater value underlying this business.

During 2014 SpermSep activities were reinvigorated, building on the work that was done in prior years. NuSep, in collaboration with the University of Newcastle, has shown that the technology provides a simple, quick, cost effective and reliable method of selecting the most viable sperm cells and, unlike current practices of sperm separation for IVF, does not contribute to DNA-damaged sperm.

NuSep has also shown in initial tests with the University of Newcastle that its larger machine is well suited to horse sperm separation and that it shows promise to be quicker and cheaper than current AI processes. Trials are underway expanding this to include the other major animal applications including cattle and pigs. Most importantly, this SpermSep technology has been shown in human and animal semen preliminary testing to have the potential to separate the most viable sperm cells from semen samples.

Key opinion leaders in both IVF and veterinary AI sectors have expressed strong support to work with NuSep in developing this much needed technology. NuSep's prototype devices are currently in further evaluation for both IVF and AI, and we have international centres wanting to work with us; NuSep now has to commercialise the opportunity.

Dividends

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

REVIEW OF OPERATIONS

Revenues for NuSep from sales of gels and diagnostics declined slightly in the year ended 30 June 2014 from the previous period to \$840,390 (2013: \$902,595), however gross profit was higher at \$150,461 (2013: \$55,190).

NuSep decreased operating costs, predominantly from the PRIME spin off during the year and partly through rationalisation and downsizing, which provided a decrease in expenses from the prior period and culminated in an after tax loss from continuing operations of \$1,245,289 (2013: \$2,284,568). However the loss from discontinued operations in PRIME as detailed in Note 8 of the financial statements added further one off losses of \$2,641,554 to the result (2013: loss of \$336,306), which provided a net loss of \$3,842,140 compared with a loss in 2013 of \$1,841,920.

When combined with an exchange translation loss of \$271,826 (2013: profit \$ 303,008), the total comprehensive loss for the period was \$4,113,966 compared with a loss in 2013 of \$1,538,912.

This financial performance reflects the largest change in the company's history from spinning out the PRIME business. It is pleasing that expenses are now running at a far reduced rate, largely due to separating this business from NuSep and that this expense reduction will also translate even more positively to the next year's results. However the accounting treatment for valuing PRIME, writing down the value of these assets and writing off expenses for developing that business has had a severe effect on NuSep's accounts this year. More discussion about this is provided in the commentary in the PRIME section.

Through the issue of new shares, the company successfully raised \$1,545,880 in additional equity during the year ended 30 June 2014.

As this business meets its performance milestones, NuSep hopes it will be permitted to attribute substantially greater value to this investment in its future financial accounts.

Directors' Report

Management

During the year there were significant board and management changes. At the NuSep AGM in November, John Manus and Hari Nair stepped down from their executive director positions to concentrate on the PrIME business opportunity. They are now executives in the PrIME business in Singapore, serve on the PrIME board and are no longer employed by NuSep.

At the AGM, Clifford Eu also stepped down as a non-executive director, Prakash Patel was ratified as Managing Director and Alison Coutts was appointed as Non-Executive Chairman. Stephen van der Mye served on the board as a non-executive director for the period 2 December 2013 to 28 April 2014 when he resigned due to health reasons. Elissa Hansen was appointed as Company Secretary on 10 February 2014 at which time Prakash Patel became a non-executive director and Alison Coutts became interim Executive Chairman.

Outlook for 2015 & Likely Developments

PrIME: The key milestone for PrIME over the coming year is to obtain cGMP certification of its production facility by the Singaporean Health Sciences Authority. Whilst the facility did previously operate under cGMP conditions, it has not been operational for some time and therefore requires clean up and maintenance services to get it ready for scale up and production of clinical grade proteins, including albumin and immunoglobulins, from blood plasma fractionation. PrIME is working with a major international medical device and diagnostics company for the global development of its plasma separation business.

SpermSep: NuSep plans to conduct further clinical trials in human IVF with some key IVF sites around Australia. We also propose to develop a regulatory and product development plan for the commercial IVF production system. We are putting in place some animal AI studies with leading research institutes and companies involved in Assisted Reproductive Technologies for the major animal species and refining our veterinary system, which could be applied to both AI and IVF for animals. The animal SpermSep system will be quicker to market than the human IVF application. SpermSep will require some extra external funding and aims to develop both the human and animal applications of SpermSep.

Membranes: NuSep will continue to make membranes and to research into new membranes and applications.

Overall: NuSep is pleased that it has successfully spun out PrIME and that PrIME is now a fully-fledged and well-funded business in its own right. There is no future funding requirement necessary from NuSep for PrIME to successfully achieve its commercial goals. PrIME is now under the effective control of Palau Manukan Ventures Labuan Ltd, an experienced biotechnology fund manager. Whilst it has been an expensive and time consuming process to spin PrIME out, NuSep is now able to concentrate on its own activities, the major opportunity in the short term being SpermSep.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following event occurred subsequent to 30 June 2014.

On 29 September 2014, NuSep Holdings Ltd executed a New Zealand dollar denominated convertible debt facility with a non-executive director, Mr Andrew Goodall. Under the terms of the facility, NuSep Holding Ltd will be able to drawdown AUD\$1.26m (NZD\$1.4m) on 3 October 2014. The facility has a three year term from the date of drawdown and is subject to an annual interest rate of 14%. The facility is secured over all assets of NuSep Holding Ltd. Equity conversion entitlements and unlisted options entitlements attached to the facility are subject to future shareholder approval.

SHARE OPTIONS

There were no listed options on issue to shareholders at 30 June 2014. No share options were issued during the 2014 financial year. Refer to Directors Remuneration Report for details of share options terminated during the financial year.

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.

Directors' Report

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.

The company has paid an insurance premium of \$21,308 in covering directors liability matters during the year ended 30 June 2014. No premiums have been paid indemnifying the liability of the auditors.

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

Except for the legal proceedings detailed in the Remuneration Report under the subtitle Employment Contracts, 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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 17 as part of this Directors Report.

NON-AUDIT SERVICES

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2014.

Directors' Report

REMUNERATION REPORT – AUDITED

Outlined below are the guiding principles used by NuSep Holdings Ltd to set the remuneration of the organisation.

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 NuSep's size and type of business. The Remuneration and Nomination Committee evaluates the executive directors and the CEO/Executive Chairman reviews the senior executive team. In general the Board and specifically the Remuneration and Nomination 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

In the coming year, more work needs to be done to review and restructure employment contracts of key personnel, in particular to ensure job descriptions are sufficiently detailed and reflect the actual position and to institute more appropriate key performance indicators to reward key staff for delivering on the reformulated strategic needs of the business, especially on development and commercialisation of core intellectual property.

The Company aims to structure a revised executive remuneration system that is market competitive and complimentary to the reward strategy of the organisation and which attracts and retains high calibre executives. The Company plans to reinvigorate the use of the ESOP program for all key employees and that will potentially involve offering these employees shares and/or options based on their meeting KPI targets.

Employment contracts

The employment contracts of the previous Chairman, Mr Manusu, and Deputy Chairman, Dr Nair were transferred to PrIME in June 2014 and PrIME now has taken control of and responsibility for these employment contracts and accounts for them in its own financial accounts.

The former Managing Director, Mr Patel, was employed as the Managing Director under a contract that commenced on 1 June 2010 and, as varied by agreement, could have continued until at least May 2014. Mr Patel's employment with the Company ended on 6 February 2014. Mr Patel has since commenced proceedings against the Company, claiming a number of entitlements, including an entitlement to one year's salary. The Company disputes Mr Patel's entitlement to the amount claimed under the terms of his contract with the Company, as at the date of termination.

The Executive Chairman, Alison Coutts, was appointed to the Executive Chairman position on 10 February 2014. Under the terms of the employment contract, either party may terminate the employment by providing the other with three months' written notice. The Company may terminate the employment without any period of notice or payment in lieu of notice if the executive engages in serious misconduct.

Non-Executive Directors

The Board has set its remuneration of Non-Executive Directors in line with market-based remuneration in small listed biotechnology companies. 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 remuneration of Chairmen of small listed biotechnology companies. The Chairman is not present at any discussions relating to determination of remuneration. Subject to shareholder approval Non-Executive Directors may opt each year to receive a percentage of their remuneration in NuSep Holdings Ltd shares and/or options.

Directors' Fee Pool

The current maximum non-executive Directors fee pool limit is \$450,000 per year.

Executive Pay

Executive pay includes:

- Base pay;
- Bonus pay for outstanding performance and
- Other remuneration such as superannuation.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

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.

Retirement Benefits

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

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 with the highest authority levels for the year ended 30 June 2014 are set out in the following tables which break out directors and executive remuneration separately.

Directors of NuSep Holdings Ltd

	Cash salary and fees	STI cash bonus ^	Proportion of remuneration performance related	Non-monetary benefits, and allowances	Other long-term benefits	Post employment Superannuation	Value of options	Value of option as proportion of remuneration	Total
2014	\$	\$	%	\$	\$	\$	\$	%	\$
John Manusu #	125,000	-	-	7,500	11,195	9,998	-	-	153,693
Dr Hari Nair #	125,000	-	-	7,500	9,232	9,998	-	-	151,730
Andrew Goodall	35,938	-	-	-	-	-	-	-	35,938
Clifford Eu #	5,729	-	-	-	-	-	-	-	5,729
Prakash Patel	166,141	-	-	18,821	15,412	11,850	-	-	212,224
Alison Coutts *	149,140	-	-	-	-	8,888	-	-	158,028
Walter van der Mye * #	28,413	-	-	-	-	2,628	-	-	31,041
Total	635,361	-	-	33,821	35,839	43,362	-	-	748,383

* Appointed during the year.

Resigned during the current year.

@ There has been no post-employment retirement benefits, except for superannuation, paid to any Directors in the 30 June 2014 and 30 June 2013 financial years.

There were no short-term incentive cash bonuses or equity settled share based payments awarded during the financial year end 30 June 2014. The share options granted to John Manusu and Dr. Hari Nair vesting 1 March 2015 have lapsed as the option holders are no longer employees of NuSep.

During the year ended 30 June 2014 there were significant board and management changes. At the NuSep AGM in November 2013, John Manusu and Dr Hari Nair stepped down from their executive director positions to concentrate on the PrIME business opportunity. They are now executives in the PrIME business in Singapore, serve on the PrIME board and are no longer employed by NuSep. For the period from resignation as directors of NuSep until the deconsolidation of PrIME, remuneration benefits paid to John Manusu and Dr Hari Nair were considered to be payments to key management personnel. Relevant payments have been disclosed later in the Remuneration Report under benefits to executives.

At the AGM, Clifford Eu also stepped down as a non-executive director, Prakash Patel was ratified as Managing Director and Alison Coutts was appointed as Non-Executive Chairman. Stephen van der Mye served on the board as a non-executive director for the period 2 December 2013 to 28 April 2014 when he resigned due to health reasons. Elissa Hansen was appointed as Company Secretary on 10 February 2014 at which time Prakash Patel became a non-executive director and Alison Coutts became interim Executive Chairman.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Directors of NuSep Holdings Ltd (continued)

	Cash salary and fees	STI cash bonus ^	Proportion of remuneration performance related	Non-monetary benefits, and allowances	Other long-term benefits	Post employment Superannuation	Value of options	Value of option as proportion of remuneration	Total
2013	€	€	%	€	€	€	€	%	€
John Manusu	300,000	-	-	55,500	24,618	15,199	3,295	0.8%	398,612
Dr Hari Nair	300,000	-	-	55,500	34,732	15,199	3,038	0.9%	408,469
Iain H. Sorrell #	20,833	(25,000)	N/A	-	-	-	-	-	(4,167)
William Spee #	-	(25,000)	N/A	-	-	-	-	-	(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	-	-	19,416	44,175	15,199	-	-	314,624
Total	920,805	(50,000)		130,416	103,525	45,597	6,333	0.6%	1,156,676

^ During the year ended 30 June 2013 the board reversed a bonus that had been accrued in the financial statements for the year ended 30 June 2012 in respect of these two former Directors.

There were no bonuses paid to any Directors in the year ended 30 June 2013.

* 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 financial year.

Mr Manusu was Chairman of NuSep Holding Ltd for the entire year ended 30 June 2013. Mr Manusu was also the Managing Director of the Singapore Company PrIME Biologics Pte Ltd during the year 30 June 2013.

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 was the Executive Chairman of the Singapore Company PrIME Biologics Pte Ltd during the year 30 June 2013.

Senior Executive Employment Agreements

Predominantly all of NuSep Holdings Ltd senior executive team are under employment contracts but the contracts need to be revised to be in line with the new business direction. The present contracts include employment terms, remuneration 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, depending on the executive, between one and three month's written notice. On resignation any options are forfeited.
- The agreement automatically terminates unless the agreement is renewed by the parties, in writing, prior to the expiration of the initial term. Employee's employment automatically continues on an at-will basis on the terms stipulated in the contract.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Executives of NuSep Holdings Ltd and Subsidiaries

	Cash salary and fees	Termination payments	STI cash bonus	Non-monetary benefits, and allowances	Other long-term benefits	Post employment Superannuation	Value of options	Value of option as proportion of remuneration	Total
2014	\$	\$	\$	\$	\$	\$	\$	%	\$
John Manusu **	100,000	-	-	6,000	8,956	3,333	(8,232)	-	110,057
Dr Hari Nair **	100,000	-	-	6,000	7,385	3,333	(7,645)	-	109,073
Dr John Andrews ^	19,872	64,729	-	1,673	3,366	3,496	-	-	93,136
Matthew Loggie ^^	39,846	30,513	-	-	5,922	5,313	-	-	81,594
Thee Woon Goh *	28,535	-	-	-	-	-	-	-	28,535
Mike Richardson #	85,859	-	-	-	9,558	8,826	-	-	104,243
Total	374,112	95,242	-	13,673	35,187	24,301	(15,877)	-	526,638

* No cash payments have been made to Thee Woon Goh and the accumulated fees of \$28,535 (30 June 2013: \$75,000), were netted off against his outstanding debt due to the Company at 30 June 2014 related to the exercise of share options (refer Note10).

** In November 2013, John Manusu and Dr Hari Nair resigned from the company's board. Remuneration in the chart above reflects payments to both subsequent to their resignation as directors. Refer to earlier chart for details of director remuneration.

@ There has been no post-employment retirement benefits, except for superannuation, paid to any Executives in the 30 June 2014 and 30 June 2013 financial years.

Mike Richardson was appointed Chief Operating Officer on 10 February 2014.

^ Dr John Andrews' contract was terminated in September 2013. His termination payment amounted to \$64,729.

^^ Matthew Loggie's contract was terminated in April 2014. His termination payment amounted to \$30,513.

	Cash salary and fees	Termination payments	STI cash bonus	Non-monetary benefits, and allowances	Other long-term benefits	Post employment Superannuation	Value of options	Value of option as proportion of remuneration	Total
2013	\$	\$	\$	\$	\$	\$	\$	%	\$
Dr John Andrews	112,981	-	-	9,000	12,019	12,060	-	-	146,060
Matthew Loggie	134,077	-	-	-	5,923	12,600	-	-	152,600
Thee Woon Goh *	75,000	-	-	-	-	-	-	-	75,000
	322,058	-	-	9,000	17,942	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 10).

@ There has been no post-employment retirement benefits, except for superannuation, paid to any Executives in the financial year ended 30 June 2013.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Share options granted to Directors

The share options granted to directors on issue at 40, 50 and 60 cent exercise price vesting 1 March 2015 have lapsed as the option holders are no longer employees of NuSep. The movements in share options has been detailed in the tables below.

2014	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 Manus	500,000	-	-	500,000	-	-	-
Dr Hari Nair	500,000	-	-	500,000	-	-	-
Total	1,000,000	-	-	1,000,000	-	-	-

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 Manus	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	-

Share Options granted to Executives

There were no share options issued during the financial year ended 30 June 2014.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Directors & their shareholding

	Balance of shares as at 1 July 2013	Net movement	Balance of shares as at 30 June 2014
Alison Coutts *	-	51,724	51,724
John Manusu # (a)	6,473,438	4,064,918	10,538,356
Dr Hari Nair # (b)	1,810,108	197,368	2,007,476
Andrew Goodall (c)	24,093,856	704,444	24,798,300
Clifford Eu #	13,695,453	-	13,695,453
Prakash Patel	2,446	346,633	349,079
Total	46,075,301	5,365,087	51,440,388

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

(a) John Manusu's shareholding comprises 9,631,178 held directly and 907,178 held indirectly.

(b) Dr Hari Nair's shareholding comprises 2,005,548 held directly and 1,928 held indirectly.

(c) Andrew Goodall's shareholding comprises 13,548,300 held directly and 11,250,000 held indirectly.

	Balance of shares as at 1 July 2012	Net movement	Balance of shares as at 30 June 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.

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.



Alison Coutts
Executive Chairman

Sydney
30 September 2014

CORPORATE GOVERNANCE STATEMENT
30 June 2014

NuSep has identified a number of areas for improvement in governance and is reviewing its governance structures.

The Company is adopting the latest draft of the ASX's Corporate Governance Principles and Recommendations, Third Edition, released on 27 March 2014 as the basis of its Corporate Governance Statement, which is being overhauled. There are eight central principles within the ASX document as follows:

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Act ethically and responsibly
4. Safeguard integrity in corporate reporting
5. Make timely and balanced disclosure
6. Respect the rights of security holders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

There are many specific recommendations proposed by the ASX document which are intended to give effect to these general principles. NuSep is adopting the eight central principles and attempting to implement the specific recommendations wherever possible. NuSep will now report in its progress in adopting and implementing the principles and the specific recommendations.

1. Lay solid foundations for management and oversight

The respective roles and responsibilities of its board and management are clearly delineated.

The board's primary role is the protection and enhancement of long term shareholder value and is responsible for the overall corporate governance of the Company. Key roles of the board include approving the strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, approving and monitoring financial and operating reporting and establishing and monitoring the achievement of management's goals.

Management is responsible for formulating the strategic direction in concert with the board and implementing the strategic objectives, within the risk parameters set by the board. It is also to provide the board with accurate, timely and clear information.

The board makes reference checks before putting forward a candidate for election to the board and also makes disclosure of all relevant information about the candidate to security holders so they can make an informed decision in their vote for the candidate.

The board candidate and senior executives are also provided with a written agreement setting out the terms of their appointment.

The company secretary has been externally provided since 10 February 2014 through a part time contractual arrangement with a professional firm that provides company secretarial services. Since this arrangement has been implemented the company secretarial function has improved, providing greater timeliness of reporting from board and committee meetings, more fulsome reports of those meetings and improvements in timeliness of announcements. The board is embarking on a process of continual improvement and there are still areas that can be bolstered.

The Company is an equal opportunity employer and employs on its board and within its management a substantial number of females and people from different ethnic backgrounds. It is also developing a formal diversity policy. Of the present board members, one is female and of the two key management personnel, one is female.

The board has informally reviewed its performance and the performance of its committees and of individuals on the board and within management but it plans to adopt a more formal performance review process over the coming year.

CORPORATE GOVERNANCE STATEMENT (continued)
30 June 2014

2. Structure the board to add value

The board is structured to provide a broad mix of skills and experience yet also have specific skills and experience pertaining to biotechnology and commercialisation of intellectual property. The board is building that skill and experience mix and is also undergoing a process of renewal. To that effect, NuSep appointed a new chairman, who over the year became an interim executive chairman.

NuSep is planning to make further board changes to broaden the skill and experience base and to increase the ratio of independent to executive board members to at least a one to one ratio and ideally, over time, to move to have a majority of independent directors.

As at 30 June 2014, the Board had no truly independent directors. Andrew Goodall is a substantial shareholder, Prakash Patel had served in senior managerial roles within the company for over the previous three years and Alison Coutts, by fulfilling an executive position, was also not independent. Since 30 June 2014, Prakash Patel has resigned and the board has appointed Michael Graham as an independent non-executive director. The board is seeking to further redress the imbalance and appoint another independent non-executive director shortly.

The Company has a remuneration and nomination committee. Nomination committee issues will have increased focus over the coming year with the growth and increased capacity of the board and its committees.

NuSep currently has an executive chairman, which was a measure at the time to deal with an immediate need to fill the Managing Director position and also to keep costs to a minimum. Separation between the chairman and CEO role is advocated for best practice corporate governance, to minimise the possibility of a lack of openness and constructive debate at board level. The Company has no immediate plans at this stage to separate these functions but is considering appointing an independent deputy Chairman in the future. It will also plans to appoint independent directors to chair its committees.

3. Act ethically and responsibly

The Company is presently involving all staff and board members in discussing and formulating a statement of core company values. The Company will utilise that statement to then formulate a new code of conduct for its directors, senior executives and staff and provide training throughout the company on how the code of conduct should be applied to each person's role.

4. Safeguard integrity in corporate reporting

The board has an audit committee that meets regularly to formally and rigorously review corporate reporting. Further details about the members of the audit committee, their qualifications and experience and the number of meetings attended are provided in the Directors Report.

Before it approves the Company's financial statements for a financial period, the board receives from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained, that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company's external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.

5. Make timely and balanced disclosure

The Company is aware that timeliness and accuracy of certain disclosures in the past have been inadequate and is rectifying its performance in this regard. It is reviewing its policy for complying with its continuous disclosure obligations and will disclose the revised policy when it is finalised.

CORPORATE GOVERNANCE STATEMENT (continued)
30 June 2014

6. Respect the rights of security holders

NuSep has in the past provided information about itself and its governance through its website and newsletters. Over the past year the nature of the business has substantially changed with the spin out of PrIME Biologics and the renewed emphasis within NuSep of developing the SpermSep business and researching new membranes. The Company is also considering a re-badging of the company with a new name and entirely new website. The Company has yet to make the necessary significant changes to its website but plans to do so shortly.

NuSep engages with security holders at its AGM and responds to security holder enquiries should they contact the Company directly. It no longer publishes newsletters but is instead employing an external corporate PR specialist who will assist the Company with its market positioning, engagement with security holders and with the financial community including brokers and fund managers, capital raising activities and organisation of roadshows.

7. Recognise and manage risk

Whilst the overall board manages risk generally, the Audit and Risk Committee considers, discusses and manages risks as a separate topic from the general business that the board manages. The Audit and Risk Committee oversees the Company's risk management framework and insurance programs and reports back to the board on its findings. In addition the Company has regular formal management meetings where business risk is discussed and managed. Notwithstanding the efforts that have already gone into risk management, the Company considers that it should provide renewed focus on risk and it plans to implement formal risk management policies across its business.

8. Remunerate fairly and responsibly

The board has a remuneration and nomination committee that oversees the remuneration for directors and senior executives. The Company publishes the remuneration of non-executive directors, executive directors and senior management personnel in its annual accounts, together with its remuneration policies and practices.

Over the coming year the contracts of all senior personnel will be reviewed and revised. Job descriptions and KPIs will be revised to be better aligned with the strategic imperatives of the business, especially in driving successful commercialisation outcomes and to ensure managerial staff are incentivised appropriately with new KPIs that will be tied to an incentive component of their remuneration. The Company plans to review the ESOP program and apply it more widely, to all key executives.



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 2014 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.

A handwritten signature in black ink that reads 'KPMG' in a cursive, stylized font.

KPMG

A handwritten signature in black ink, appearing to read 'Carlo Pasqualini', written in a cursive style.

Carlo Pasqualini
Partner

Sydney

30 September 2014

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

		2014	2013
	Notes	\$	\$
Continuing operations:			
Revenue	5	850,855	917,554
Cost of sales	6	(700,394)	(862,364)
Gross profit		150,461	55,190
Other income	5	430,984	550,203
Marketing expenses		(187,206)	(432,360)
General and administration expenses			
Other		(947,378)	(1,331,712)
Impairment reversal	6	343,535	75,000
Research and development expenses		(513,852)	(864,242)
Finance cost expenses	6	(521,833)	(336,647)
Loss before income tax		(1,245,289)	(2,284,568)
Income tax expense	7	-	-
Loss after tax from continuing operations		(1,245,289)	(2,284,568)
Discontinued operations:			
(Loss)/profit from discontinued operations, net of tax	8	(2,596,851)	442,648
Net loss for the year attributable to members of parent		(3,842,140)	(1,841,920)
Other comprehensive (expense)/income:			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange translation differences		(271,826)	303,008
Total other comprehensive result for the year		(271,826)	303,008
Total comprehensive expense for the year		(4,113,966)	(1,538,912)
Total comprehensive expense attributable to:			
Owners of the Company		(4,113,966)	(1,538,912)
Non-controlling interest		-	-
Total comprehensive expense for the year		(4,113,966)	(1,538,912)
Earnings per share	9	Cents	Cents
– basic loss per share		(2.35)	(1.48)
– diluted loss per share		(2.35)	(1.48)
Earnings per share - continuing operations	9	Cents	Cents
– basic loss per share		(0.76)	(1.84)
– diluted loss per share		(0.76)	(1.84)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 30 June 2014

		30 June 2014	30 June 2013
	Notes	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	84,403	180,942
Trade and other receivables	11	233,975	431,808
Inventories	12	300,239	400,380
Other current assets	13	262,986	1,075,197
TOTAL CURRENT ASSETS		881,603	2,088,327
NON-CURRENT ASSETS			
Other non-current assets	14	-	531,277
Financial assets	15	4,124,888	300,000
Property, plant and equipment	16	425,324	6,827,300
Intangible assets	17	1,670,576	3,885,130
TOTAL NON-CURRENT ASSETS		6,220,788	11,543,707
TOTAL ASSETS		7,102,391	13,632,034
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	1,003,641	2,716,213
Interest bearing liabilities	19	479,685	479,255
Tax liabilities		176,207	139,428
Short-term provisions	20	127,399	333,218
TOTAL CURRENT LIABILITIES		1,786,932	3,668,114
NON-CURRENT LIABILITIES			
Interest bearing liabilities	19	6,236,771	1,568,303
Long-term provisions	20	71,536	1,405,511
TOTAL NON-CURRENT LIABILITIES		6,308,307	2,973,814
TOTAL LIABILITIES		8,095,239	6,641,928
NET (LIABILITIES)/ASSETS		(992,848)	6,990,106
EQUITY			
Issued capital	21	29,345,275	27,799,395
Reserves	23	68,963	588,126
Accumulated losses		(30,407,086)	(26,564,946)
Total equity attributable to equity holders of the Company		(992,848)	1,822,575
Non-controlling interest	24	-	5,167,531
TOTAL (DEFICIENCY)/EQUITY		(992,848)	6,990,106

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the year ended 30 June 2014

	Notes	Issued Capital \$	Foreign Currency Translation Reserve \$	Share Options Reserve \$	Accumulated Losses \$	Total \$	Non- controlling interest \$	Total Equity \$
Balance 1 July 2012		25,826,848	37,781	241,004	(24,723,026)	1,382,607	-	1,382,607
Movement								
Loss for the period		-	-	-	(1,841,920)	(1,841,920)	-	(1,841,920)
Foreign currency translation differences		-	303,008	-	-	303,008	-	303,008
Total comprehensive income for the period		-	303,008	-	(1,841,920)	(1,538,912)	-	1,538,912
Issue of share capital	21	2,257,806	-	-	-	2,257,806		2,257,806
Transaction costs on share issue	21	(285,259)	-	-	-	(285,259)		(285,59)
Employee share option plan	23	-	-	6,333	-	6,333		6,333
Non-controlling interest	24	-	-	-	-	-	5,167,531	5,167,531
Balance 30 June 2013		27,799,395	340,789	247,337	(26,564,946)	1,822,575	5,167,531	6,990,106
Balance 1 July 2013		27,799,395	340,789	247,337	(26,564,946)	1,822,575	5,167,531	6,990,106
Movement								
Loss for the period		-	-	-	(3,842,140)	(3,842,140)	-	(3,842,140)
Foreign currency translation differences		-	(271,826)	-	-	(271,826)	-	(271,826)
Total comprehensive income for the period		-	(271,826)	-	(3,842,140)	(4,113,996)	-	(4,113,996)
Issue of share capital	21	1,654,120	-	-	-	1,654,120	-	1,654,120
Transaction costs on share issue	21	(108,240)	-	-	-	(108,240)	-	(108,240)
Employee share option plan	23	-	-	(247,337)	-	(247,337)	-	(247,337)
Non-controlling interest converted to debt	24	-	-	-	-		(5,167,531)	(5,167,531)
Balance 30 June 2014		29,345,275	68,963	-	(30,407,086)	(992,848)	-	(992,848)

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 2014

		2014	2013
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers		905,498	1,087,529
Payments to suppliers and employees		(2,727,524)	(3,424,600)
Government grant receipts		898,528	1,542,879
Other receipts		-	80,000
Finance costs		(18,140)	(4,721)
Net cash flows used in operating activities	10 (a)	(941,638)	(718,913)
Cash flows from investing activities			
Interest received		3,485	9,299
Proceeds from disposal of property, plant and equipment		-	17,253
Purchase of property, plant and equipment		(61,361)	(76,055)
Purchase of other non-current assets		(104,945)	(121,001)
Cash flows relating to discontinued operations	8	(1,475,170)	(1,489,662)
Net cash flows used in investing activities		(1,637,991)	(1,660,166)
Cash flows from financing activities			
Proceeds from issue of shares		1,649,006	1,627,982
Share issue costs		(103,126)	(143,581)
Receipts from related party loans		1,196,710	960,401
Repayment of related party loans		(259,500)	(55,000)
Net cash flows provided by financing activities		2,483,090	2,389,802
Net (decrease)/increase in cash and cash equivalents		(96,539)	10,723
Cash and cash equivalents at beginning of year		180,942	170,219
Cash and cash equivalents at end of year	10	84,403	180,942

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

1. Reporting entity

NuSep Holdings Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 30 Richmond Road, Homebush, NSW 2140, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and is primarily involved in the research, development, manufacture and sale of pre-cast electrophoresis gels, separations equipment and consumables and other biological products for the Life Science market.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 30 September 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on an accruals basis and are based on historical cost.

c) Functional and presentation currency

The financial information of each of the Group's foreign entities is measured using the currency of the primary economic environment in which it operates (the functional currency). These consolidated financial statements are presented in Australian dollars, which is the Group's primary functional currency.

d) Use of estimates and judgements

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:

- Going concern – refer to Note 3(a);
- Measurement of financial investments – refer to Note 15;
- Intangible assets impairment review – refer to Note 17(d); and
- Other receivable impairment – refer to Note 11.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) 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.

During the current financial year, NuSep successfully executed the PRIME Investment Agreement. As a result of this agreement, PRIME has a clear funding strategy in place for the commercialisation of this technology which will see PRIME funded independently of NuSep going forward. In the coming financial year, NuSep's commercial development strategy will be focused on the SpermSep business unit. To complete the commercialisation of the SpermSep animal artificial insemination and IVF applications, NuSep will require extra funding.

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

- The Group made a net loss for the year ended 30 June 2014 of \$3,842,140 (2013: \$1,841,920).
- For the year ended 30 June 2014 the Group had net cash outflows from operating activities of \$941,638 (2013: \$718,913) and net cash outflows from investing activities of \$1,637,991 (2013: \$1,660,166).
- At 30 June 2014 the Group had a deficiency in working capital of \$905,329 (2013: \$1,579,787).
- At 30 June 2014 the Group had a deficiency in net assets of \$992,848.

The Directors believe that the Group will continue as a going concern, and accordingly have prepared the financial statements on a going concern basis after considering the following:

- On 29 September 2014, NuSep Holdings Ltd executed a New Zealand dollar denominated convertible debt facility with a non-executive director, Mr Andrew Goodall. Under the terms of the facility, NuSep Holding Ltd will be able to drawdown AUD\$1.26m (NZD\$1.4m) on 3 October 2014. The facility has a three year term from the date of drawdown and is subject to an annual interest rate of 14%. The facility is secured over all assets of NuSep Holding Ltd. Equity conversion entitlements and unlisted options entitlements attached to the facility are subject to future shareholder approval.
- On 30 September 2014, NuSep Holding Ltd received a conditional commitment of continued financial support, if required by the company, of up to \$1.15m from, Mr Andrew Goodall. The commitment will remain in place for at least one year from the date of approval of the financial statements.
- In the coming months, the Group expects to receive \$480k in the form of a tax refund from the Australian Tax Office for eligible research and development activities carried out by the Group in the financial year ended 30 June 2014 under the research and development tax credit scheme.
- The Group has the ability to access funds through further securities issues by the parent entity.
- The Group successfully raised equity of \$1,654,120 during the year ended 30 June 2014.
- The Group has reduced losses from continuing activities during the year ended 30 June 2014, compared to the comparative period.

Notwithstanding the above, NuSep will continue to need access to adequate funding, to both conduct its activities, and to advance the development of the SpermSep technology to commercialisation. There is material uncertainty as to whether adequate funding will be available. This may cast doubt on the Group'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.

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

3. Significant accounting policies (continued)

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the company controls an investee if and only if the company has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. A list of controlled entities is contained in Note 27 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 consistency 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.

c) 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.

d) Foreign currency transactions and balances

i) Foreign currency transactions

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.

ii) Foreign operations

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 transactions.

3. Significant accounting policies (continued)

e) 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.

f) 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.

3. Significant accounting policies (continued)

g) Financial instruments

i) 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.

ii) Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value or 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:

- The amount at which the financial asset or financial liability is measured at initial recognition;
- Less principal repayments;
- 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
- 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 necessitate an adjustment to the carrying value with a consequential recognition of income or expense in profit or loss.

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.

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. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Financial Liabilities

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

iii) Fair value

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

iv) 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, objective evidence that an available-for-sale financial assets is impaired includes observable data indicating that there is a measurable decreases in the expected cash flows to be derived from the financial asset. Impairment losses are recognised through profit or loss.

3. Significant accounting policies (continued)

g) Financial instruments (continued)

v) De-recognition

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.

h) 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.

i) Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. 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.

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.

ii) 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:

	2014:	2013:
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 reporting date.

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

3. Significant accounting policies (continued)

i) Intangible Assets

i) 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 labour 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.

ii) 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.

iii) Amortisation

Amortisation is based on the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

iv) Impairment

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

j) 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.

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.

k) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the reporting 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.

i) 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.

ii) 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.

3. Significant accounting policies (continued)

l) 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.

m) 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.

n) Trade and other payables

Trade and other payables represent liabilities 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.

o) Revenue

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. 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 are transferred to the customer.

p) Government grants

A government grant is considered as assistance by a state authority in the form of transfers of resources to the group in return for past or future compliance with certain conditions relating to the operation of the group. The R&D Tax Incentive Scheme for small companies is considered a government grant. Although it is administered by the government through the ATO, it is not linked to the level or availability of taxable profits.

In accordance with AASB120 *Accounting for Government Grants and Disclosure of Government Assistance*, grant income is recognised as receivable at fair value where there is reasonable assurance that the grant will be received and all grant conditions have been satisfied.

The portion of the government grant relating to development assets is credited to deferred income at fair value under development costs. The deferred income is recognised through profit or loss on a straight-line basis over the expected useful life of the asset once development is completed. Government grants relating to costs incurred in the profit or loss statement are recognised as grant income in the same period.

3. Significant accounting policies (continued)

q) 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.

r) 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.

s) Borrowing costs

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

t) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss 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.

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.

u) New accounting standards and interpretations for application in future periods

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, 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 (2013) and AASB 9 Financial Instruments (2010)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities. AASB 9 (2013) introduces new requirements for hedge accounting.

The AASB has yet to approve the latest version of IFRS 9 which was issued by the IASB in July 2014. This version includes limited amendments to the classification and measurement requirements and the new requirements for impairment of financial assets.

4. 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 the basis of preparation disclosed in Note 2.

	2014	2013
	\$	\$
Statement of financial position		
Assets:		
Current assets	<u>498,410</u>	1,086,121
Total assets	<u>4,323,299</u>	<u>1,171,410</u>
Liabilities:		
Current liabilities	<u>1,353,951</u>	1,092,099
Total liabilities	<u>7,618,048</u>	<u>2,678,109</u>
Equity:		
Issued capital	29,345,275	27,799,395
Accumulated losses	(32,640,024)	(29,553,433)
Options reserve	<u>-</u>	<u>247,337</u>
Total deficiency in equity	<u>(3,294,749)</u>	<u>(1,506,701)</u>
Statement of profit or loss and other comprehensive income		
Total (loss)/profit for the year	<u>(3,086,591)</u>	876,673
Total comprehensive (expense)/income for the year	<u>(3,086,591)</u>	<u>876,673</u>

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

The former Managing Director, Mr Patel, was employed as the Managing Director under a contract that commenced on 1 June 2010 and, as varied by agreement, could have continued until at least May 2014. Mr Patel's employment with the Company ended on 6 February 2014. Mr Patel has since commenced proceedings against the Company, claiming a number of entitlements, including an entitlement to one year's salary. The Company disputes Mr Patel's entitlement to the amount claimed under the terms of his contract with the Company, as at the date of termination. This matter is considered a contingent liability for which the directors are not in a position to provide a reliable estimate of the final outcome.

Contractual commitments

At 30 June 2014, NuSep Holdings Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: \$nil).

5. Revenue / other income

	Note	2014 \$	2013 \$
Sales revenue			
Sales of goods		838,185	903,642
Freight		12,670	13,912
Total revenue		850,855	917,554
Other income			
Grant income	17(c)	419,677	427,350
Finance income		2,849	30,598
Gain on sale of assets		-	3,756
Other income		8,458	88,499
Total other income		430,984	550,203
Total revenue and other income		1,281,839	1,467,757

6. Loss for the year

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

	Note	2014 \$	2013 \$
Expenses			
Cost of sales		700,394	862,364
Depreciation:			
Plant and equipment	16	78,385	98,239
Leasehold improvements	16	20,239	322,364
Total depreciation and amortisation		98,624	420,603
Less depreciation capitalised under intangible assets		-	(112,365)
Total depreciation expense		98,624	308,238
Finance costs:			
Interest expense on financial liabilities with related parties	26(f)	441,229	219,021
Other interest expense		80,604	117,626
		521,833	336,647
Staff costs:			
Salaries		1,788,758	2,415,046
Superannuation		130,158	157,307

Salaries include amounts which have been capitalised under development expenditure.

Rental expense relating to operating leases		143,972	241,608
Impairment of obsolete stock		61,578	-
Other expenses - impairment (reversal)	11	(343,535)	(75,000)
Exchange losses		150,652	77,060

7. Income tax expense

a) Income tax expense

	2014	2013
	\$	\$
Income tax reported in the statement of profit or loss and other comprehensive income	-	-

b) Reconciliation of effective tax rate

	2014	2013
	\$	\$
Accounting loss before tax from continuing operations	(1,245,289)	(2,284,568)
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)	(373,587)	(685,370)
Less:		
Tax effect of:		
Non-deductible expenditure	103,948	59,830
Research and development tax incentive (not taxable)	(144,154)	(477,892)
Losses carried forward	413,793	1,103,432
Income tax expense recorded in statement of profit or loss and other comprehensive income	-	-

c) Deferred income tax

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

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 and the United States. All tax jurisdictions have tax losses, which are not recognised in their books at 30 June 2014. The unused tax losses held in the Australian group companies as at 30 June 2014 is \$11,912,801 and a further \$4,507,364 (USD\$ 4,245,937) was held in the US companies. The tax losses are available, indefinitely in Australia and up to 20 years in the United States, for offset against future taxable profits of the companies in which losses arose within each tax jurisdiction.

8. Discontinued Operations

Discontinued operations includes activities resulting to the BioInquire software and the PrIME separations businesses. The comparatives presented in the consolidated statement of profit or loss and other comprehensive income have been re-presented to show discontinued operations separately from continuing operations.

	Note	2014 \$	2013 \$
BioInquire software business	8(a)	44,703	778,954
PrIME separations business	8(b)	(2,641,554)	(336,306)
		(2,596,851)	442,648

- a) In March 2013 the Group sold its entire Software segment. The segment was classified as a discontinued operation in the financial statements for the year ended 30 June 2013. The results for discontinued activities relating to the BioInquire business were as follows:

	2014 \$	2013 \$
Revenue	-	149,998
Expenses	-	(179,252)
Results from operating activities	-	(29,254)
Income tax expense	-	-
Results from operating activities, net of tax	-	(29,254)
Reversal of contingent acquisition consideration	44,703	208,208
Gain on sale of discontinued operation	-	600,000
Profit for the year	44,703	778,954

- b) In May 2014, the Group entered the PrIME Investment Agreement (PIA) which resulted in NuSep Holdings Ltd losing control of the subsidiaries PrIME Biologics Pte Limited and PrIME Biologics Pty Ltd. In the view of the Directors, control was relinquished upon the first completion stage of the PIA which was reached on 17 June 2014. As part of the PrIME Investment Agreement, under the terms for the first completion transaction a number of back-to-back transactions occurred, including:

- Ownership and control of PrIME Biologics Pty Ltd was transferred to PrIME Biologics Pte Ltd.
- NuSep Holdings Ltd converted its ordinary shares into Series B preference shares. Refer to Note 15 of the financial statements for details of the rights and entitlement of this equity class and the basis for recognising the residual interest held in PrIME Biologics Pte Ltd.
- NuSep Holdings Ltd provided partial debt forgiveness to the former subsidiaries in respect of previous related party advances. At the deconsolidation date, NuSep Holdings Ltd and NuSep Pty Ltd was owed \$5,219,369. Under the PrIME Investment Agreement, the debt forgiveness amounted to \$4,519,565. Of the \$699,804 receivable, \$536,000 was received before the reporting date and \$163,804 was receivable from PrIME Biologics Pty Ltd at 30 June 2014. This amount was received subsequent to the reporting date.
- NuSep Holdings Ltd assumed third party debt owed to A-Bio Pharma Pte Ltd (A-Bio) of \$3,739,876 from PrIME Biologics Pte Ltd. This liability was presented as \$5,298,950 under liabilities relating to a disposal group in the half year consolidated financial statements to 31 December 2013. Under completion one of the PIA, the debt was renegotiated with the lender, resulting in a reduction of the liability to \$3,739,876. Refer to Note 19 of the financial statements for further details of the debt reassignment and securitisation.

8. Discontinued Operations (continued)

As a result of the loss of control of the PRIME separations business, accumulated losses and unrealised foreign currency reserve were derecognised during the year. The loss on discontinued activities relating to the PRIME separations business was as follows:

	Note	2014 \$	2013 \$
Results from operating activities		(554,623)	(336,306)
Income tax expense		-	-
Results from operating activities, net of tax		(554,623)	(336,306)
Debt forgiveness in respect of related party advances		(4,519,565)	-
Accumulated losses derecognised on deconsolidation		2,432,634	-
Loss for the year		(2,641,554)	(336,306)

Cash flows and (loss)/earnings relating to discontinued activities are in respect of both the PRIME and BioInquire businesses.

Cash flows relating to discontinued activities:

	2014 \$	2013 \$
Net cash flow used in operating activities	(408,528)	(269,057)
Net cash flow used in investing activities	(2,212,634)	(2,018,836)
Net cash flow from financing activities	1,145,992	798,231
Net cash flows relating to discontinued activities	(1,475,170)	(1,489,662)

(Loss)/Earnings per share on results relating to discontinued activities:

	2014 \$	2013 \$
Basic (loss)/earnings per share	(1.59)	0.36
Diluted (loss)/earnings per share	(1.59)	0.36

9. Earnings per share

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

	2014 \$	2013 \$
Loss after tax from continuing operations	(1,245,289)	(2,284,568)
Loss/(profit) from discontinued operations	(2,596,851)	442,648
Net loss for the year	(3,842,140)	(1,841,920)
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	163,342,135	124,502,553
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	163,342,135	124,502,553

10. Cash and cash equivalents

	2014	2013
	\$	\$
Cash at bank	46,453	142,992
Secured deposit	37,950	37,950
	84,403	180,942

The secured deposit relates to a rental bond which is deposited in an escrow account.

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

	2014	2013
	\$	\$
Loss from ordinary activities after income tax expense:	(3,842,140)	(1,841,920)
Depreciation	98,624	308,238
Net finance cost	518,348	336,647
Shares issued in lieu of general and administration costs	-	10,000
Gain on sale of property, plant and equipment	-	(3,756)
Loss/(gain) arising on discontinued operations	2,596,851	(442,648)
Gain on liability reversal	-	(4,693)
Impairment reversal	(343,535)	(75,000)
Foreign exchange translation	(116,528)	(51,519)
Share option reserve (reversal)/charge	(247,337)	6,334
	(1,335,717)	(1,758,317)
Change in operating assets and liabilities:		
Decrease/(increase) in inventories	101,141	(29,853)
Decrease/(increase) in trade and other receivables	1,433,075	(28,050)
Decrease in trade payables	(1,176,340)	(227,678)
(Decrease)/increase in provisions	(6,493)	109,753
Increase in deferred income	60,836	1,219,953
Cash used in operating activities	(923,498)	(714,192)
Interest paid	(18,140)	(4,721)
Net cash outflows from operating activities	(941,638)	(718,913)

11. Trade and other receivables

	2014 \$	2013 \$
Trade receivables	70,171	62,703
Tax receivables	-	369,105
Related party receivable – PrIME	163,804	-
Related party receivable – Thee Woon Goh	965,642	1,309,177
Impairment of related party receivables	(965,642)	(1,309,177)
	<u>233,975</u>	<u>431,808</u>

On 25 November 2011, Mr Thee Woon Goh, a non-executive director of the Singapore subsidiary, Prime Biologics Pte Ltd, exercised 12,622,691 share options which had an expiry date of 31 March 2012. The consideration for these shares was not received by the Company when due in November 2011 and the company later entered into a debt agreement with Mr Thee Woon Goh. Under the terms of the agreement, certain rights and entitlements of the shares were suspended, the company retained a lien over the securities and the full amount owing was repayable in March 2014. The loan was not repaid in March 2014. The loan agreement was in default at the reporting date.

During the year ended 30 June 2014, the impaired receivable balance reduced by \$343,535. An amount of \$28,535 was allocated against the receivable balance as settlement for services rendered by Mr Thee Woon Goh during the year. In addition, 3,000,000 of the secured shares were reassigned to Ti Rakau Developments Limited for \$315,000.

The related party receivable – PrIME relates to amounts receivable from PrIME Biologics Pte Limited at the reporting date. This amount was received in July 2014.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 28(a) of the financial statements.

12. Inventories

	2014 \$	2013 \$
Raw materials – at cost	151,429	218,585
Finished goods – at cost	152,516	183,962
Less: provision for obsolete inventory	(3,706)	(2,167)
	<u>300,239</u>	<u>400,380</u>

13. Current assets – other assets

	2014 \$	2013 \$
Sundry deposits	2,898	83,743
Prepaid expenses	50,026	41,964
Amount receivable under R&D Tax Incentive Scheme	210,062	949,490
	<u>262,986</u>	<u>1,075,197</u>

A portion of the liability owing to Australian Taxation Office has been offset against the research and development incentive grant receivable balance.

14. Non-current assets – other assets

	2014	2013
	\$	\$
Property rental bond	-	531,277
	<u>-</u>	<u>531,277</u>

15. Financial assets - available-for-sale

	2014	2013
	\$	\$
Shares in unlisted entities - at cost	<u>4,124,888</u>	<u>300,000</u>

Available-for-sale financial assets comprise an investment in the ordinary issued capital of an unlisted public company, Mimomic International Limited and Series B preference shares in a former subsidiary, PrIME Biologics Pte Limited (PrIME). There are no fixed returns or fixed maturity dates attached to either investment. Both investments are held at cost as the equity instruments do not have a quoted market price in an active market and the fair value cannot be reliably determined.

	2014	2013
	\$	\$
Mimomic International Limited	300,000	300,000
PrIME Biologics Pte Limited	<u>3,824,888</u>	<u>-</u>
	<u>4,124,888</u>	<u>300,000</u>

a) Measurement of investment in PrIME Biologics Pte Limited

Accounting Standards ordinarily require the investment in PrIME to be recognised for at fair value. However, as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed at this stage, NuSep is precluded from measuring the investment at fair value. NuSep retains Series B preference shares in PrIME. This equity class has notably different rights to the Series A preference shares which have control over all major decisions and can determine future distributions or a liquidating event (refer to Notes 15(b) and 15(c)). Given the uncertainty associated with PrIME and the different classes of equity, it is not possible at this time to determine the fair value for NuSep's residual interest in PrIME. As a result, a cost basis is considered appropriate in the circumstances.

When analysing the transaction resulting from the PrIME Investment Agreement (PIA), the Board considered what could be attributed to the cost of the investment in PrIME:

- A loan of \$4,519,565 provided by NuSep to fund the investment in PrIME up to the date of the PIA was forgiven. This loan was considered impaired prior to the transaction. Therefore, NuSep has expensed the forgiveness of that loan under discontinued activities and not attributed it to the cost of the investment.
- The acceptance of the third party, A-Bio debt of \$3,739,876 as part of the PIA, is considered to be attributable to the cost of the investment as a contribution of the PPE that was retained in PrIME to which the debt related. Refer to Note 19 of the financial statements for details of security associated with this debt and the registered charge over the Series B preference shares held by NuSep Holdings Ltd.
- The carrying value of NuSep's share capital in PrIME Biologics Pte Limited of \$85,012 before the equity conversion is considered to be attributable to the cost of the investment.

In assessing whether there are any indicators of impairment of the investment in PrIME, it has been determined that due to the fact that the PIA occurred shortly before the reporting date, no events since then have been identified to indicate an impairment of the investment at 30 June 2014.

15. Financial assets - available-for-sale (continued)

b) Voting rights in PrIME Biologics Pte Limited

As a holder of Series B Preference Shares, NuSep is entitled to receive notices of, and attend and speak at, any meetings of the Shareholders with no rights to vote except;

- If its dividends as Series B Preference shareholders remain unpaid;
- Upon any resolution which varies the rights attached to its shares; and
- Upon any resolution for the winding up of the Company.

c) Entitlements in the event of a liquidating event

In the event of liquidation, dissolution or winding up of PrIME, or the sale, lease or disposal of all or substantially all of its assets, or acquisition by another entity, or other transactions in which more than 50% of the outstanding voting power of PrIME is disposed of, distribution of the assets and funds to the shareholders shall be made in the following manner:

- In the event that such distribution is up to USD\$100m: after the holders of Series A Preference Shares received an amount equal to 2 times their initial investment plus an amount equal to all declared but unpaid dividends on of Series A Preference Shares, the remaining assets available for distribution will be distributed in accordance with the Series A and Series B preference shareholdings on a converted basis.
- In the event that such distribution is between USD\$100m and USD \$200m: after the holders of Series A Preference Shares received an amount equal to 1.5 times their initial investment plus an amount equal to all declared but unpaid dividends on of Series A Preference Shares, the remaining assets available for distribution will be distributed in accordance with the Series A and Series B preference shareholdings on a converted basis.
- In the event that such distribution is above USD\$200m: after the holders of Series A Preference Shares received an amount equal to their initial investment plus an amount equal to all declared but unpaid dividends on of Series A Preference Shares, the remaining assets available for distribution will be distributed in accordance with the Series A and Series B preference shareholdings on a converted basis.

After completion one of the PrIME Investment Agreement in June 2014, NuSep holds a 77.53% interest in PrIME on a converted basis. The Series A preference shareholders have control over when a preference share equity conversion can occur. Under the PIA, at each completion point, the Series A preference shareholders are required to make additional equity contributions. It is envisaged that the number of Series A preferences shares will increase resulting in NuSep's converted shareholding diluting at each completion date as follows:

	Series A shares	Series B shares not held by NuSep	Series B shares held by NuSep	NuSep's shareholding on a converted basis
Completion one	23,702	4,088	95,912	77.53%
Completion two	43,455	4,088	95,912	66.86%
Completion three	55,306	4,088	95,912	61.76%
Completion four	59,257	4,088	95,912	60.22%

16. Property, plant and equipment

	Plant & Equipment \$	Leasehold Improvements \$	Total \$
Cost:			
Balance at 1 July 2012	926,400	638,057	1,564,457
Additions	4,814,383	1,307,032	6,121,415
Exchange differences	401,193	(8,343)	392,850
Disposals	(13,487)	-	(13,487)
	6,128,489	1,936,746	8,065,235
Balance at 30 June 2013			
Balance at 1 July 2013	6,128,489	1,936,746	8,065,235
Additions	-	61,361	61,361
Exchange differences	(19,549)	(113,632)	(133,181)
Deconsolidated component	(5,162,550)	(1,291,664)	(6,454,214)
	946,390	592,811	1,539,201
Balance at 30 June 2014			
Accumulated depreciation:			
Balance at 1 July 2012	406,595	410,737	817,332
Depreciation for the year	98,239	322,364	420,603
	504,834	733,101	1,237,935
Balance at 30 June 2013			
Balance at 1 July 2013	504,834	733,101	1,237,935
Depreciation for the year	78,385	20,239	98,624
Deconsolidated component	(3,018)	(219,663)	(222,681)
	580,201	533,677	1,113,878
Balance at 30 June 2014			
Net book value at 30 June 2013	5,623,655	1,203,645	6,827,300
Net book value at 30 June 2014	366,189	59,135	425,324

The deconsolidated component movement relates to PrIME. As detailed in Note 8 of the financial statements, PrIME left the NuSep consolidated group during the year ended 30 June 2014.

17. Intangible assets

a) Reconciliation of movements in intangible assets

	Internal Development \$	Total \$
Cost:		
Balance at 1 July 2012	3,148,855	3,148,855
Additions	2,351,757	2,351,757
Exchange differences	353,806	353,806
	5,854,418	5,854,418
Balance at 30 June 2013		
Balance at 1 July 2013	5,854,418	5,854,418
Additions	2,100,539	2,343,124
Exchange differences	(151,215)	(151,215)
Deconsolidated component	(5,982,428)	(6,225,013)
	1,821,314	1,821,314
Accumulated deferred grant income:		
Balance at 1 July 2012	748,735	748,735
Deferred grant income for the year	1,220,553	1,220,553
	1,969,288	1,969,288
Balance at 30 June 2013		
Balance at 1 July 2013	1,969,288	1,969,288
Deferred grant income for the year	60,835	60,835
Deconsolidated component	(1,879,385)	(1,879,385)
	150,738	150,738
Balance at 30 June 2014		
Net carrying value at 30 June 2013	3,885,130	3,885,130
Net carrying value at 30 June 2014	1,670,576	1,670,576

The Group capitalises development costs based on time spent by employees, the type of project, geographic location, related development tasks and other related factors. The deconsolidated component movement relates to PrIME.

As detailed in Note 8 of the financial statements, PrIME left the NuSep consolidated group during the year ended 30 June 2014.

b) Reconciliation of intangible assets carrying value by project

	2014 \$	2013 \$
PrIME separations	-	2,289,120
SpermSep separations	1,670,576	1,596,010
	1,670,576	3,885,130

c) Reconciliation of grant income receivable at 30 June

		2014 \$	2013 \$
Analysis of grant income receivable:			
Deferred component relating to projects under development	17(a)	60,835	1,220,553
Recognised as grant income in the current period	5	419,677	427,350
		480,512	1,647,903
Total government grants receivable			

17. Intangible assets (continued)

d) Impairment review of intangible assets under development

In assessing whether there are any indicators of impairment relating to the SpermSep business unit, the following factors have been taken into account:

- In the current year, NuSep refined the intended strategy for the development and commercialisation of the SpermSep project to include animal artificial insemination (AI). The Group is about to commence animal AI studies with leading research institutes for the major animal AI species. The Group forecast that the Animal AI SpermSep System can be fully commercialised and yield stronger returns in a quicker timeframe than the human AI SpermSep System.
- NuSep is also in the process of planning further clinical trials in human IVF with some key IVF Partners around Australia to advance the human AI SpermSep System.
- The Group has assessed that future economic benefits from the intangible assets will be greater than the sum of development costs at the reporting date plus future development costs to commercialise the assets.
- The Group has assessed that there are no new specific risks in relation to the development and commercialisation of the project. The key risk remains the generation of adequate funding to complete commercialisation.
- NuSep is confident it will be able to generate sufficient funding in the coming year to advance the commercialisation of the SpermSep development.

18. Trade and other payables

		2014 \$	2013 \$
	Note		
Trade payables		627,080	1,848,516
Government grants refundable		58,000	101,000
Payable to related parties	26 (f)	94,787	108,631
Other creditors and accruals		223,774	658,066
		1,003,641	2,716,213

The Group's exposure to liquidity and market risk risks related to trade and other payables are disclosed in Note 28.

NuSep Holdings Ltd and its Controlled Entities
Notes to Financial Statements
For the year ended 30 June 2014

19. Interest bearing liabilities

	Note	2014 \$	2013 \$
Current:			
Loans from related parties – secured	26 (f)	479,685	302,623
Convertible loan note – secured		-	176,632
		479,685	479,255

2014 Analysis of debt	Currency	Interest rate	Year of maturity	Face value	Carrying value
Related party loans	AUD	12-15%	2014-2015	384,361	384,361
Related party loan	NZD	14%	2014	95,324	95,324
				479,685	479,685

2013 Analysis of debt	Currency	Interest rate	Year of maturity	Face value	Carrying value
Related party loans	AUD	12%	2013	37,471	37,471
Related party loan	NZD	20%	2013	265,152	265,152
Other loan note	SGD	15%	2013	176,632	176,632
Total current debt at 30 June 2013				479,255	479,225

Refer to Note 26(f) for additional information on related party loans.

19. Interest bearing liabilities (continued)

	Note	2014 \$	2013 \$
Non-current:			
Loans from related parties – secured	26 (f)	2,484,858	1,495,561
Third party debt – secured		3,751,913	-
Government loan – unsecured		-	72,742
		6,236,771	1,568,303

2014 Analysis of debt	Currency	Interest rate	Year of maturity	Face value	Carrying value
Third party debt	SGD	5%	2016	3,751,913	3,751,913
Related party loan	NZD	14%	2016	1,628,436	1,628,436
Related party loan	SGD	14%	2016	356,359	356,359
Related party loan	AUD	14%	2016	500,063	500,063
				6,236,771	6,236,771

2013 Analysis of debt	Currency	Interest rate	Year of maturity	Face value	Carrying value
Related party loans	AUD	12%	2014	273,277	273,277
Related party loan	NZD	20%	2014	1,222,284	1,222,284
Government loan	SGD	10%	2014	72,742	72,742
				1,568,303	1,568,303

Total non-current debt at 30 June 2013

As detailed in Note 8, the third party debt assumed with A-Bio Pharma Pte Ltd (A-Bio) under the PrIME Investment Agreement amounted to \$3,739,876. Since assuming the debt, interest of \$12,037 has accrued.

As part of the revised A-Bio debt agreement which resulted in the reassignment of the A-Bio debt, NuSep Holdings Ltd entered an indemnity agreement with PrIME Biologics Pte Ltd (PrIME), Palau Manukan Ventures Labuan Ltd and JP Asia Capital Pte Ltd. The indemnity agreement provides additional guarantees to A-Bio to settle the debt in the event of NuSep Holding Ltd defaulting on the company's obligations under the revised debt agreement. If a defaulting event occurs which results in PrIME settling the debt on the behalf of NuSep, Palau Manukan Ventures Labuan Ltd has the option to acquire NuSep's Series B preference shares in PrIME for a consideration of SGD\$1.

Palau Manukan Ventures Labuan Ltd and JP Asia Capital Pte Ltd hold a deed of charge over NuSep's Series B preference shares in PrIME.

Refer to Note 26(f) for additional information on related party loans.

20. Provisions

	2014 \$	2013 \$
Current:		
Provision for employee benefits - current	<u>127,399</u>	<u>333,218</u>
Non-current:		
Provision for employee benefits – non-current	71,536	134,821
Provision for make good provision – non-current	-	<u>1,270,690</u>
	<u>71,536</u>	<u>1,405,511</u>
Provision for employee benefits:		
Balance at beginning of year	468,039	358,286
Provision utilised	(109,237)	(128,650)
Deconsolidated component	(252,134)	-
Recognised through profit or loss	<u>92,267</u>	<u>238,403</u>
Balance at end of year	<u>198,935</u>	<u>468,039</u>

The make good provision as at 30 June 2013 related to the PRIME component. Refer to Note 8.

21. Share capital

a) Share capital

	2014 Shares	2013 Shares	2014 \$	2013 \$
Ordinary Shares – fully paid	<u>171,259,377</u>	<u>138,163,141</u>	<u>29,345,275</u>	<u>27,799,395</u>

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

	Note	2014 Shares	2013 Shares	2014 \$	2013 \$
Balance at beginning of year		138,163,141	107,921,501	27,799,395	25,826,848
Share issue under share placement		14,427,457	21,815,582	814,025	1,667,977
Share issue under share purchase plan		12,888,891	-	580,000	-
Share issue in lieu of director fees and expenses	26 (f)	779,889	-	35,095	-
Options exercised		-	-	-	5
Share issue on conversion of loans	26 (f)	4,999,999	8,426,058	225,000	589,824
		<u>171,259,377</u>	<u>138,163,141</u>	<u>29,453,515</u>	<u>28,084,654</u>
Less issue costs		-	-	(108,240)	(285,259)
Balance at end of year		<u>171,259,377</u>	<u>138,163,141</u>	<u>29,345,275</u>	<u>27,799,395</u>

i) 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.

ii) Listed Options

No share options were issued during the 2014 financial year (2013: \$nil).

21. Share capital (continued)

c) 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 – 2014:								
<i>Directors Options</i>								
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)	-
Total				1,000,000	-	-	(1,000,000)	-

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

2014	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)	-	-	-
Dr Hari Nair	500,000	-	-	(500,000)	-	-	-
Total	1,000,000	-	-	(1,000,000)	-	-	-

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	-

22. 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.

Refer to Note 3(a) of the financial statements for further details of the company's strategy for capital management.

23. Reserves

Share options reserve

The share option reserve is used to recognise the fair value of options and shares issued to employees. As detailed in Note 21 of the financial statements, the share options of two former directors of the company lapsed prior to the vesting date on leaving employment with NuSep.

Foreign currency translation reserve

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

24. Non-controlling interest

	2014	2013
	\$	\$
Non-controlling interest	-	5,117,271
Non-controlling interest – fair value of the associated share option	-	50,260
	<u>-</u>	<u>5,167,531</u>

During the year ended 30 June 2013, Prime Biologics Pte Limited acquired property, plant and equipment and embedded intellectual property from A-Bio Pharma Pte Ltd (A-Bio). At the time, the subsidiary PRIME Biologics Pte Ltd had the option to settle in equity subject to certain contractual terms. Subsequent to the year ended 30 June 2013, the contractual terms were not met and certain terms of this transaction were changed. This resulted in the Group recognising a liability of \$5,298,950 under disposal group liabilities in the half year financial statements to 31 December 2013. During June 2014, a final settlement liability of \$3,739,876 was negotiated with A-Bio.

25. Auditors' remuneration

	2014	2013
	\$	\$
<i>KPMG Australia</i>		
Audit & Assurance services		
Review of interim report	33,500	-
Audit of financial report – year end	112,250	75,000
Audit of financial report – opening balance	-	25,000
	<u>-</u>	<u>25,000</u>
Total remuneration for services	<u>145,750</u>	<u>100,000</u>

26. Related parties

a) Parent and ultimate controlling party

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

b) Detail of key management personnel

i. Directors

Ms Alison Coutts	Chairman (Appointed 29 November 2013)
	Executive Chairman (Appointed 10 February 2014)
Mr John Manus	Chairman (Resigned 29 November 2013)
Dr Hari Nair	Deputy Chairman (Resigned 29 November 2013)
Mr Prakash Patel	Managing Director (Resigned 6 February 2014)
	Non-Executive Director (Appointed 6 Feb 2014, resigned 10 September 2014)
Mr Andrew Goodall	Non-Executive Director
Mr Walter S. Van der Mye	Non-Executive Director (Appointed 2 December 2013, resigned 28 April 2014)
Mr Clifford Eu	Non-Executive Director (Resigned 29 November 2013)
Mr Michael Graham	Non-Executive Director (Appointed 10 September 2014)

ii. Executives

Dr John Andrews	Director of PRIME Instrumentations (Terminated 20 September 2013)
Mr Matthew Loggie	Director of Operations (Terminated 15 April 2014)
Mr Thee Woon Goh	Non-Executive Director of Prime Biologics Pte Ltd (Resigned 17 June 2014)
Mike Richardson PhD	Director of Operations (Appointed 10 February 2014)

c) Key management personnel compensation

The key management personnel compensation included:

	2014	2013
	\$	\$
Short-term employee benefits	1,152,208	1,350,220
Other long-term employee benefits	71,026	103,525
Post-employment benefits	67,663	70,258
Share-based payments	(15,877)	6,333
	<u>1,275,020</u>	<u>1,530,336</u>

d) 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.

26. Related parties (continued)

e) Shareholding of directors

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 director compensation.

Directors & their shareholding	Balance as at 1 July 2013	Net movement	Balance as at 30 June 2014
Alison Coutts *	-	51,724	51,724
John Manusu # (a)	6,473,438	4,064,918	10,538,356
Dr Hari Nair # (b)	1,810,108	197,368	2,007,476
Andrew Goodall (c)	24,093,856	704,444	24,798,300
Clifford Eu #	13,695,453	-	13,695,453
Prakash Patel	2,446	346,633	349,079
Total	46,075,301	5,365,087	51,440,388

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

a. John Manusu's shareholding comprises 9,631,178 held directly and 907,178 held indirectly.

b. Dr Hari Nair's shareholding comprises 2,005,548 held directly and 1,928 held indirectly.

c. Andrew Goodall's shareholding comprises 13,548,300 held directly and 11,250,000 held indirectly.

Directors & their shareholding	Balance as at 1 July 2012	Net movement	Balance as at 30 June 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.

26. Related parties (continued)

f) Other transactions with key management personnel and related parties

i) At 30 June 2014, director fees payable of \$94,787 (2013: \$108,631) included David Roffe \$30,000 (2013: \$41,944); Iain Sorrell \$30,833 (2013: \$35,833); Andrew Goodall \$9,167 (2013: \$15,813); Clifford Eu \$3,438 (2013: \$7,917); Prakash Patel \$21,349 and Ward Wescott \$nil (2013: \$7,124).

ii) Loans payable to related parties:

		Current balances:		Non-current balances:	
		2014	2013	2014	2013
		\$	\$	\$	\$
John Manusu	(a)	84,864	-	-	253,187
Dr Hari Nair	(a)	2,566	17,162	-	-
Andrew Goodall	(b)	267,466	-	(d) 500,063	20,089
Ti Rakau Developments Ltd	(c)	95,324	265,152	(e) 1,628,436	1,222,285
Ms Chang Seow Ying Alison		-	-	(f) 356,359	-
Prakash Patel		-	20,309	-	-
Alison Coutts	(g)	18,792	-	-	-
Pablo Neyertz	(g)	10,673	-	-	-
Total		479,685	302,623	2,484,858	1,495,561

Loan ref	Currency	Interest rate	Maturity	Security
a)	AUD	12%	At call	Unsecured
b)	AUD	15%	Jan 15	Secured
c)	NZD	14%	At call	Secured
d)	AUD	14%	Jul 15	Secured
e)	NZD	14%	Jul 15	Secured
f)	SGD	14%	Jul 15	Secured
g)	AUD	15%	At call	Unsecured

Ti Rakau Developments is a company related to but not controlled by Andrew Goodall. Under the debt agreements with Ti Rakau Developments, Andrew Goodall and Ms Chang Seow Ying Alison, the lenders have the ability to convert their loans into equity subject to shareholder approval and relevant regulatory compliance.

As listed above, interest bearing related party debt is secured over all assets of NuSep Holdings Ltd.

iii) Interest accrued on financial liabilities with related parties:

	2014	2013
	\$	\$
John Manusu	11,677	26,222
Dr Hari Nair	405	2,009
David Roffe	-	1,458
Ward Wescott	-	1,458
Iain Sorrell	-	614
Andrew Goodall	40,949	8,331
Ti Rakau Developments Ltd	323,202	178,620
Ms Chang Seow Ying Alison	63,841	-
Prakash Patel	363	309
Alison Coutts	792	-
	441,229	219,021

26. Related parties (continued)

f) Other transactions with key management personnel (continued)

iv) Loans converted into shares:

	Number of shares		Converted loan balance	
	2014	2013	2014 \$	2013 \$
John Manusu	4,000,000	2,428,571	180,000	170,000
Dr Hari Nair	333,333	571,428	15,000	40,000
Andrew Goodall	333,333	5,093,856	15,000	356,570
Ian Howard Sorrell	-	296,489	-	20,754
Ward Wescott	-	35,714	-	2,500
Prakash Patel	333,333	-	15,000	-
Total	4,999,999	8,426,058	225,000	589,824

v) Director fees and director fees expenses converted into shares:

	Number of shares		Converted amount	
	2014	2013	2014 \$	2013 \$
Clifford Eu	360,844	-	16,238	-
Andrew Goodall	419,045	-	18,857	-
Total	779,889	-	35,095	-

vi) At 30 June 2014 \$965,642, was receivable from a shareholder, Mr Thee Woon Goh in respect of the balance of the debt from the exercise of 15¢ share options in November 2011. Refer to Note 11.

g) Other transactions with key management personnel (continued)

Transactions between NuSep Holdings Ltd and other entities in the wholly-owned group during the year ended 30 June 2014 consist of:

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

27. Controlled entities

Name of entity	Country of Incorporation	Class of share	Equity Holding		
			2014 %	2013 %	
NuSep Pty Ltd	Australia	Ordinary	100	100	
NuSep Inc	United States	Ordinary	100	100	
KaoSep Inc	United States	Ordinary	100	-	
Prime Biologics Pty Ltd	Australia	Ordinary	-	100	Refer Note 8(b)
Prime Biologics Pte Ltd	Singapore	Ordinary	-	90	Refer Note 8(b)
SpermGen Pty Limited	Australia	Ordinary	100	100	Dormant
InqSep Inc	United States	Ordinary	100	100	Refer Note 8(a)
NuSep SDN BHD	Malaysia	Ordinary	-	99	Dormant
Kaogen Pty Ltd	Australia	Ordinary	100	100	Dormant

28. 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.

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 risk exposures in Australia.

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 transactions. 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 the date of the invoice, except for other receivables which includes the receivable from Mr Thee Woon Goh.

The chart below profiles the receivable balances at the reporting date.

	Gross amount \$	Impairment provision \$	Within terms \$	Past due but not impaired		
				<30 days \$	31-60 days \$	> 60days \$
As at 30 June 2014:						
Trade receivables	70,171	-	63,326	6,724	121	-
Other receivables	163,804	-	163,804	-	-	-
Other receivables	965,642	(965,642)	-	-	-	-
Total	1,199,617	(965,642)	227,130	6,724	121	-
As at 30 June 2013:						
Trade receivables	62,703	-	27,823	32,995	1,885	-
Other receivables	369,105	-	369,105	-	-	-
Other receivables	1,309,177	(1,309,177)	-	-	-	-
Total	1,740,985	(1,309,177)	396,928	32,995	1,885	-

28. Financial risk management policies (continued)

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 is disclosed throughout the financial statements.

	Within one year		One to five years		Total	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Financial liabilities:						
Trade & other payables	1,003,641	2,716,213	-	-	1,003,641	2,716,213
Interest bearing liabilities	479,685	479,255	6,236,771	1,568,303	6,716,456	2,047,558
Tax liabilities	176,207	139,428	-	-	176,207	139,428
Expected outflows	1,659,533	3,334,896	6,236,771	1,568,303	7,896,304	4,903,199
Financial assets:						
Cash & cash equivalents	84,403	180,942	-	-	84,403	180,942
Trade receivables	233,975	431,808	-	-	233,975	431,808
Other receivables	52,924	125,707	-	-	52,924	125,707
Tax receivables	210,062	949,490	-	-	210,062	949,490
Other investments	-	-	4,124,888	300,000	4,124,888	300,000
Expected inflows	581,364	1,687,947	4,124,888	300,000	4,706,252	1,987,947
Net expected cash flow	(1,078,169)	(1,646,949)	(2,111,883)	(1,268,303)	(3,190,052)	(2,915,252)

The deficiency in net expected cash flows has been discussed further in Note 3(a) of the financial statements.

28. Financial risk management policies (continued)

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 2014 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.

Group position at 30 June 2014

	Net Financial Assets/(Liabilities) in AUD			
	USD \$	SGD \$	NZD \$	Total AUD \$
Financial assets:				
Cash and cash equivalents	9,813	-	-	9,813
Trade and other receivables	40,682	-	-	40,682
Other assets	-	3,824,888	-	3,824,888
Financial liabilities:				
Trade and other payables	(177,289)	-	-	(177,289)
Interest bearing liabilities - current	-	-	(95,324)	(95,324)
Tax liabilities	(16,488)	-	-	(16,488)
Interest bearing liabilities - non-current	-	(4,108,272)	(1,628,436)	(5,736,708)
Statement of financial position exposure per currency	(143,282)	(283,384)	(1,723,760)	(2,150,426)

Group position at 30 June 2013

	Net Financial Assets/(Liabilities) in AUD			
	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 per currency	(301,841)	(169,224)	(1,487,436)	(1,958,501)

28. Financial risk management policies (continued)

c) Market risk (continued)

Sensitivity analysis

At 30 June 2014, had the United States Dollar, Singaporean Dollar 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:

Group position at 30 June 2014

	Exposure per currency	Impact of AUD \$ strengthening	Impact of AUD \$ Weakening
USD (movement 1%)	(143,282)	1,433	(1,433)
SGD (movement 8.7%)	(283,384)	24,654	(24,654)
NZD (movement 6%)	(1,723,760)	103,426	(103,426)

Group position at 30 June 2013

	Exposure per currency	Impact of AUD \$ strengthening	Impact of AUD \$ Weakening
USD (movement 13%)	(301,841)	39,239	(39,239)
SGD (movement 15%)	(169,224)	25,384	(25,384)
NZD (movement 13%)	(1,487,436)	193,367	(193,367)

29. 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

	2014 \$	2013 \$
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payables:		
Within one year	167,502	1,412,467
Later than one year but not later than 5 years	411,022	2,384,101
	578,524	3,796,568

At 30 June 2014 the Group had two operating leases for its production and commercial properties in the different countries where it operates. These are non-cancellable leases. The lease for the Homebush - Australian facility has a remaining non-cancellable lease term of 47 months. The lease for the Georgia - US facility has a remaining non-cancellable lease term of 11 months.

In the year ended 30 June 2013, the Group disclosed commitments relating to the PrIME component. At 30 June 2014 this component did not form part of the Group, refer to Note 8.

30. Segment reporting

a) Reportable segments

The consolidated entity is organised on a global basis into the following reportable segments 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. During the year ended 30 June 2014, NuSep spun off its technology for plasma fractionation in its subsidiary, PrIME Biologics Pte Ltd in Singapore. PrIME is exclusively developing the blood plasma separation business with production from its Singapore cGMP manufacturing facility to supply Asian markets with high value proteins including albumin, immunoglobulin and clotting factors. Refer to Note 8 for details of changes in this group segment in the current year.

- **Software**

This reportable segment was disposed of in March 2013. The result for the year ended 30 June 2014 relates to the reversal of contingent acquisition consideration. Refer to Note 8 of the financial statements.

b) Geographic 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.

Year ended 30 June 2014	Consumable products	Separations	Software	Group result
	\$	\$	\$	\$
Revenue from sales or services	840,390	10,465	-	850,855
<i>Income from outside operating activities:</i>				
Grant income	154,995	264,682	-	419,677
Interest income	2,849	-	-	2,849
Other income	8,458	-	-	8,458
Discontinued operation result	-	-	44,703	44,703
Total segment result	1,006,692	275,147	44,703	1,326,542
Total segment losses from continuing operations	(213,962)	(1,031,327)	-	(1,245,289)
Total segment (loss)/profit from discontinued operations	-	(2,641,554)	44,703	(2,596,851)
Total segment result from continuing & discontinued operations	(213,962)	(3,672,881)	44,703	(3,842,140)
Depreciation & amortisation	87,396	11,228	-	98,624
Segment assets	863,840	6,238,551	-	7,102,391
Segment liabilities	947,581	7,147,658	-	8,095,239
Acquisition of capital assets	61,361	-	-	61,361

30. Segment reporting (continued)

Year ended 30 June 2013	Consumable products	Separations	Software	Group result
	\$	\$	\$	\$
Revenue from sales or services	902,595	14,959	-	917,554
<i>Income from outside operating activities:</i>				
Grant income	387,480	39,870	-	427,350
Interest income	15,299	15,299	-	30,598
Other income	89,908	2,347	-	92,255
Discontinued operation result			749,998	749,998
Total segment result	<u>1,395,282</u>	<u>72,475</u>	<u>749,998</u>	<u>2,217,755</u>
Total segment losses from continuing operations	<u>93,846</u>	<u>(2,378,414)</u>	<u>-</u>	<u>(2,284,568)</u>
Total segment (loss)/profit from discontinued operations	<u>-</u>	<u>(336,306)</u>	<u>778,954</u>	<u>442,648</u>
Total segment result from continuing & discontinued operations	<u>93,846</u>	<u>(2,714,720)</u>	<u>778,954</u>	<u>(1,841,920)</u>
Depreciation & amortisation	<u>231,788</u>	<u>188,815</u>	<u>-</u>	<u>420,603</u>
Segment assets	<u>1,203,496</u>	<u>12,428,538</u>	<u>-</u>	<u>13,632,034</u>
Segment liabilities	<u>868,787</u>	<u>5,773,141</u>	<u>-</u>	<u>6,641,928</u>
Acquisition of capital assets	<u>28,797</u>	<u>6,092,618</u>	<u>-</u>	<u>6,121,415</u>

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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Australia	594,609	781,329	3,112,217	3,766,089
USA	599,564	1,304,370	165,286	206,107
Singapore	-	-	3,824,888	9,659,838
Europe	103,098	111,133	-	-
Other countries	29,271	20,923	-	-
	<u>1,326,542</u>	<u>2,217,755</u>	<u>7,102,391</u>	<u>13,632,034</u>

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.

31. Events after Balance Date

The following event occurred subsequent to 30 June 2014.

On 29 September 2014, NuSep Holdings Ltd executed a New Zealand dollar denominated convertible debt facility with a non-executive director, Mr Andrew Goodall. Under the terms of the facility, NuSep Holding Ltd will be able to drawdown AUD\$1.26m (NZD\$1.4m) on 3 October 2014. The facility has a three year term from the date of drawdown and is subject to an annual interest rate of 14%. The facility is secured over all assets of NuSep Holding Ltd. Equity conversion entitlements and unlisted options entitlements attached to the facility are subject to future shareholder approval.

32. Company Details

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

Directors' Declaration

1. In the opinion of the directors of NuSep Holdings Limited ('the Company'):
 - (a) the consolidated financial statements and notes that are set out on pages 18 to 58 and the Remuneration Report on pages 8 to 13 in the Directors' report, are 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 2014 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive chairman and finance director for the financial year ended 30 June 2014.
3. The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Alison Coutts
Chairman

Sydney
30 September 2014



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 statement of financial position as at 30 June 2014, the consolidated 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 32 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 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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.

Independence

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



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

Report on the financial report (continued)

Auditor's opinion

In our opinion:

(a) the financial report of the Group 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 2014 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 2(a).

Emphasis of matter regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 3(a) to the financial report. The matters set forth in Note 3(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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of NuSep Holdings Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Carlo Pasqualini
Partner

Sydney

30 September 2014

Shareholder information

The shareholder information set out below was applicable as 23 September 2014.

A. Distribution of equity securities

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

Holdings Ranges	Holders	Total Units	Percentage
1-1,000	171	43,526	0.025
1,001-5,000	230	472,483	0.276
5,001-10,000	71	537,126	0.314
10,001-100,000	274	11,385,256	6.648
100,001-99,999,999,999	172	158,820,985	92.737
Totals	918	171,259,376	100.000

B. Equity security holders

Twenty largest quoted equity security holders

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

Holder Name	Ordinary shares Number held	Percentage of issued shares
MR ANDREW ERNEST GOODALL	13,548,300	7.911
AEMAGOOD PTY LTD <GOODALL FAMILY S/F A/C>	11,250,000	6.569
PREMIUM INVESTMENT HOLDINGS PTE LTD	10,892,019	6.360
MR THEE WOON GOH	10,182,691	5.946
MR JOHN MANUSU	9,493,495	5.543
MR YING MING CHIU & MS MIEW CHOO TEOH <CHIU SUPERFUND A/C>	7,870,402	4.596
LEE SWEE YIN	7,112,676	4.153
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,022,765	3.517
EUCO INVESTMENTS PTE LTD	6,000,000	3.503
LIEW WING KONG	4,857,142	2.836
AEMAGOOD PTY LTD <GOODALL FAMILY NO 2 S/F A/C>	3,461,195	2.021
B ARTHUR PTY LTD <BARRY ARTHUR SUPER FUND A/C>	3,135,000	1.831
TI RAKAU DEVELOPMENTS LIMITED	3,000,000	1.752
CHANG SEOW YING ALISON	2,360,855	1.379
HAMMOND ROYCE CORPORATION PTY LTD <LEN DAVID S/F A/C>	2,285,906	1.335
BALMAIN SECURITIES PTY LTD <WESSOCIATES SUPERFUND A/C>	1,799,618	1.051
MR SHIVARAJ RASANAYAGAM & MRS BINANTHI SHAMANI RASANAYAGAM <S & BR SUPERANNUATION A/C>	1,785,555	1.043
MR CHENICHERI NAIR	1,723,532	1.006
EU YEE FONG CLIFFORD	1,672,725	0.977
MR IAIN HOWARD-SORRELL	1,397,817	0.816
	109,851,693	64.143

Shareholder information

C. Substantial Shareholders as at 23 September 2014

Ordinary shares

	Number held	Percentage
Andrew Ernest Goodall	32,225,440	18.82
Thee Woon Goh	10,182,691	5.95
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	0	0
	0	0

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

Alison Coutts (Chairman)
Andrew Goodall (Non-Executive Director)
Michael Graham (Non-Executive Director)

Company Secretary and Share Registry

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

Registered Office

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Solicitors

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Sydney, NSW 2000

Auditors

KPMG
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Sydney, NSW 2000