

26 August 2013

**PRELIMINARY FINAL REPORT (APPENDIX 4E)  
FINANCIAL YEAR ENDED 30 JUNE 2013**

No. of Pages: 111

In accordance with Listing Rule 4.3A, we enclose the Preliminary Final Report (Appendix 4E) on the consolidated results of Circadian Technologies Limited ('Circadian' or 'Group') for the year ended 30 June 2013.

**Key Financials**

Results for the period predominantly reflect the Group's investment in executing the strategy to successfully develop the extensive intellectual property platform it owns in respect of VEGF-C, VEGF-D and VEGFR-3 into therapeutic and diagnostic products in cancer and eye disease.

An analysis of the financial results is provided in the attached Appendix 4E Preliminary Final Report.

For details regarding Circadian's results and operational highlights/events refer to the Financial Report for Year Ended 30 June 2013 attached.

This letter and the attached Appendix 4E Preliminary Final Report form part of this announcement to the Australian Stock Exchange Limited.

**Steven Zammit**  
**CFO & Company Secretary**

## APPENDIX 4E

### Preliminary final report

Name of entity: **CIRCADIAN TECHNOLOGIES LIMITED**

ABN: **32 006 340 567**

Reporting period: **FINANCIAL YEAR ENDED 30 JUNE 2013**

Previous  
corresponding period: **FINANCIAL YEAR ENDED 30 JUNE 2012**

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**Note:** The financial figures provided are in **actual** Australian dollars, unless specified otherwise.

## **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

The consolidated results of Circadian Technologies Limited for the year ended 30 June 2013 are as follows:

<b>Revenues and Results from Ordinary Activities:</b>		<b>Change compared to 2012 %</b>	<b>2013 \$</b>
Revenues from ordinary activities	Down	22.3 to	1,153,687
Loss from ordinary activities after tax attributable to members	Loss has decreased	1.7 to	(4,754,793)
Loss for the year attributable to members	Loss has decreased	1.7 to	(4,754,793)

**An explanation of the figures reported above are contained in the Directors' Report under the heading 'Results'.**

### **Shareholder Distributions**

No dividends have been paid or declared by the entity since the beginning of the current reporting period.



**CIRCADIAN TECHNOLOGIES LIMITED  
AND CONTROLLED ENTITIES**

**ABN 32 006 340 567**

**Annual Financial Report for the year ended 30 June 2013**

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## Directors' Report

The Board of Directors of Circadian Technologies Limited (Circadian or Company) submits its report for the year ended 30 June 2013 for Circadian and its subsidiaries (the Group).

### DIRECTORS

The names of the Company's Directors in office during the financial year and until the date of this report are as follows:

Dominique Fisher	Non-Executive Chairman
Robert Klupacs	Managing Director & CEO
Don Clarke	Non-Executive Director
Tina McMeckan	Non-Executive Director
Errol Malta	Non-Executive Director (resigned 1 October 2012)

Directors were in office for this entire period unless otherwise stated.

The qualifications, experience and special responsibilities of the Company's Directors are as follows:

#### Dominique Fisher, BA (Hons), MAICD

Dominique Fisher was appointed a non-executive director of Circadian in September 2005. She became Chairman of the Board in the subsequent month and is a member of the Company's Audit and Risk Committee. She has extensive business experience in the corporate area, including the commercialisation of new technologies. Ms Fisher is Principal and Executive Director of EC Strategies Pty Ltd, which advises local and offshore companies on technology strategies and major commercial transactions. She is Managing Director of Helix Digital Pty Ltd and is the Executive Chairman of CareerLounge Pty Ltd. Her past appointments have included a non-executive director of Pacific Brands Limited and membership of its Audit and Risk Committee, Chairman of Sky Technologies Pty Ltd, Councillor of the Australia Council of the Arts, and Chairman of its Dance Board, Insurance Australia Group Limited (IAG), member of the Prostate Cancer Foundation Victoria, NRMA, the Malthouse Theatre, Sydney Opera House and member of the ICT Advisory Board, advising the Federal Government on key issues affecting the development of the information technology and communications sector.

#### Robert Klupacs, BSc(Hons), Grad Dip IP Law, MAIPA

Robert Klupacs joined Circadian Technologies Limited as an Executive in August 2005 and was appointed as Managing Director of the Company on 1 March 2008. He is also an Executive Director of all of the Company's wholly owned subsidiaries and Chairman of subsidiary company Syngene Limited. Mr Klupacs is a registered Australian patent attorney and has been involved in the biotechnology industry for over 20 years. He has significant expertise in technology commercialisation and corporate structuring and has negotiated and closed a number of major licensing transactions with international pharmaceutical and biotechnology companies throughout his career. Prior to his position at Circadian, Mr Klupacs was CEO of ES Cell International Pte Ltd (ESI), a pioneering company in the development of human embryonic stem cell technologies based in Singapore. Prior to his role at ESI, he spent two and a half years running the Monash Institute of Reproduction and Development (MIRD) in Melbourne as its Chief Operating Officer, where he founded six start-up companies, and before that was employed for over 11 years by Zenyth Therapeutics Limited (formerly Amrad Corporation Ltd) with the last four years in that company as a member of the executive team and Director of Intellectual Property. He is a member of the Victorian Government's Biotechnology Advisory Committee.

## Directors' Report

Don Clarke, LLB (Hons)

Don Clarke was appointed a non-executive director of Circadian in September 2005. He is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee. He has been a partner of the law firm Minter Ellison since 1988, having joined that firm in 1980. Mr Clarke has a broad commercial practice (involving predominantly ASX listed companies in the SME sector and larger private companies) and experience across a broad sector of industries. He is also a non-executive director of ASX listed companies, Webjet Limited (appointed as a director in January 2008 and Deputy Chairman in April 2011) and Phosphagenics Limited, and a former director of Calzada Limited (formerly Metabolic Pharmaceuticals Limited).

Tina McMeckan, BLibArts&Sc, MBA, FAICD

Tina McMeckan was appointed a Non-Executive Director of Circadian in January 2008 and is Chairman of the Audit and Risk Committee. Her specific skills are in the commercialisation of science and technology and the energy sector. Ms McMeckan is presently a Director of CRC for Spatial Information, SP AusNet Limited, Global Carbon Capture and Storage Institute and was the chairman of Centre for Eye Research Australia until November 2012 and a Director of Metlink Pty Ltd until April 2012. She is a past Member of the Funds Management Committee of the AusIndustry Research and Development Board and has held senior investment management positions with the Australian Industry Development Corporation and Amrad Corporation Ltd (acquired by CSL Limited) focusing on capital raisings for innovation-based ventures. She also has extensive board expertise in public and private utility infrastructure including power production, networks and retailing business in the gas and electricity industries. She was formerly the Chairman of NanoVentures Australia Ltd and a Member of the National Board of Norton Rose law firm. Her other appointments as a Director have included United Energy, Snowy Hydro Trading, the Westar and Kinetik Energy Group, Victorian Power Exchange, Vision Cooperative Research Centre, Solaris Power and the formerly listed company Alinta Limited (October 2003 to August 2007).

Errol Malta, BSc(Hons) PhD (Pharmacology)

Dr Errol Malta resigned as a Non-Executive Director as at 1 October, 2012.

### COMPANY SECRETARY

Steven Zammit, BBus (Acc), Post Grad Dip (Acc), M.Bus, (Banking & Fin), CPA

Steven Zammit was appointed as the company's Chief Financial Officer and Company Secretary of Circadian Technologies Limited on 25 February, 2013 following the resignation of Susan Madden on 28 February, 2013. Prior to holding this position, Mr Zammit was the Chief Financial Officer of Oliver Hume Real Estate Group and prior to that was the General Commercial Manager and assistant Company Secretary at Molopo Energy Limited. Prior to these roles Mr Zammit has held senior finance positions with ASX listed and US Multinational companies and has over 25 years commercial experience. Mr Zammit is also the Company Secretary for Syngene Limited, Vegenics Pty Ltd and all other Circadian subsidiary companies.

## Directors' Report

### DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the years immediately before the end of the financial year are as follows:

<u>Name</u>	<u>Company</u>	<u>Period of directorship</u>
Ms D Fisher	Pacific Brands Limited	Mar 2007 to Oct 2010
Mr D Clarke	Webjet Limited	Since 2008
	Phosphagenics Limited	Since 2010
	Calzada Limited	Apr 2007 to Nov 2009
Ms T McMeckan	SP AusNet	Since 2010

### DIRECTORS' INTERESTS

At the date of this report, the interests of each director of the Company in the contributed equity and conditional rights of the Company are as follows:

	Number of shares held directly	Number of shares held indirectly	Number of conditional rights over ordinary shares
Dominique Fisher	-	167,500	-
Robert Klupacs	480,453	-	520,000
Don Clarke	-	80,000	-
Tina McMeckan	-	100,000	-

### SHARE OPTIONS & PERFORMANCE RIGHTS

#### Unissued Shares

As at balance date and the date of this report, details of Circadian's unissued ordinary shares, conditional rights or interests under option are as follows:

Unissued ordinary shares:

Number of unissued ordinary shares      nil

During the year the following options expired and were not exercised

## Directors' Report

Issuing entity for all options	Circadian Technologies Limited		
Class of shares	Ordinary	Ordinary	Ordinary
Number of shares under option	77,144	780,982	100,000
Exercise prices	\$1.00	\$1.00	\$1.00
Vesting date ^	26/6/2012	15/9/2011	15/12/2011
Expiry date	26/6/2013	15/9/2012	15/12/2012

^ These dates are the first exercise date if the options vest. The vesting dates are the dates when share price hurdles are met for the options granted which are \$1.25, \$1.50 and \$1.75 (see the Remuneration Report for further details). The offer price for the Company's shares at 30 June 2013 was \$0.23.

No options were exercised during or since the end of the financial year.

### Conditional Rights:

Issuing entity for all rights	Circadian Technologies Limited
Class of shares	Ordinary
Number of conditional rights	1,710,000
Exercise price	nil
Vesting date ^	
Expiry date	31/3/2015

^ Under the terms of the Conditional Rights Scheme, the rights will vest if certain milestones are met. One of the key overriding conditions of the Scheme is that if the 10 day volume weighted average price (VWAP) is not less than \$1.75 at any time, then 100% of the Conditional Rights will vest.

During and since the end of the financial year no conditional rights were granted.

Directors and senior management	Number of conditional rights granted	Issuing entity	Number of ordinary shares under conditional right or option
Dominique Fisher	-	Circadian Technologies Limited	-
Robert Klupacs	-	Circadian Technologies Limited	520,000
Don Clarke	-	Circadian Technologies Limited	-
Tina McMeckan	-	Circadian Technologies Limited	-
Megan Baldwin	-	Circadian Technologies Limited	200,000
Richard Chadwick	-	Circadian Technologies Limited	180,000
Mike Gerometta	-	Circadian Technologies Limited	160,000
Ian Leitch	-	Circadian Technologies Limited	150,000
Sue Madden *	-	Circadian Technologies Limited	-

\* The 200,000 conditional rights issued to Susan Madden were cancelled on 28 February, 2013.

Refer to the section in this report headed Remuneration Report for details on the terms and conditions of the rights offered under the Company's conditional rights plan and options granted under the Company's option plan.

### DIVIDENDS

No cash dividends have been paid, declared or recommended during or since the end of the financial year by the Company.

## Directors' Report

### PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

Circadian Technologies Limited's principal activity is to develop and commercialise therapies primarily for cancer as well as for other serious diseases, in particular eye disease. These development activities are based on the extensive intellectual property portfolio covering key targets (Vascular Endothelial Growth Factors C and D and R3) for the treatment of diseases associated with angiogenesis which has been accumulated in Circadian's 100% owned unlisted subsidiary Vegenics Pty Ltd. The therapeutic applications for the VEGF technology, which functions in regulating blood supply (angiogenesis), are substantial and broad. As outlined in the Operations Report considerable progress has been made with bringing Circadian's therapeutic development products to clinical testing stage.

### OPERATING AND FINANCIAL REVIEW

#### Results

#### Financial Performance

The results for the period predominantly reflect the Group's investment in advancing its cancer and ocular treatment programs VGX-100, VGX-200 and VGX-300.

A summary of the results is as follows:

- The consolidated net loss of the Group for the year was \$5,004,506 after an income tax benefit of \$1,558,009 (2012: loss of \$4,906,456 after an income tax benefit of \$2,402,070)
- Direct R&D expenditure (excluding personnel costs) amounted to \$3,436,660 (2012: \$3,595,677). Including personnel costs and other R&D support costs which are recognised through the administrative cost centre, total expenditure in R&D amounted to \$5,198,234 (2012: \$5,128,559).
- Royalty income of \$622,701 (2012: \$510,270).
- Patent costs of \$459,999 (2012: \$577,697).

Commensurate with the Group's strategy, the major expenditure of the company has been in relation to R&D, in particular costs associated with the phase 1 clinical trial of VGX-100 in oncology and pre-clinical evaluation of VGX-300 in animal models for eye disease.

## Directors' Report

### Financial Position

The Circadian Group statement of financial position includes the following key balances;

- Consolidated cash balances as at 30 June 2013 amounted to \$11,003,941 (2012: \$16,439,225).
- Receivables at balance date of \$2,324,016 include the Circadian Group's expected refund of R&D tax incentives for the year to June 2013 of \$1,960,206 (2012: \$1,392,581)
- Available for sale financial assets amount to \$2,280,517 (2012: \$3,651,785) at balance date
- The Group has a net current asset surplus of \$11,561,144 (2012: \$ 16,044,381)
- At 30 June 2013 the Circadian Group's net Equity was \$14,358,946 (2012: \$20,196,855)
- The net tangible asset backing per share as at 30 June 2013 was \$0.33 (2012: \$0.41) whereas Circadian's share price was \$0.23 (2012: \$0.35).
- The Group retains interests in various listed investments; the largest of these is in Antisense Therapeutics Limited. The combined market value of these investments as at 30 June 2013 was \$2,280,517 (2012: \$3,651,785).

### STRATEGIC REVIEW

Our strategy is to commercially develop our extensive intellectual property (IP) platform in respect of VEGF-C, VEGF-D and VEGFR-3 as therapeutic and diagnostic products in cancer and eye disease. In contrast to small molecule pharmaceuticals, therapeutic antibodies and soluble receptor molecules have been shown to have at least two major advantages. They are much more specific than small molecules enabling them to target specific pathways involved in disease, and secondly, have been shown to have much less toxicity as a class than traditional small molecules. Over the past 10 years, therapeutic antibodies and receptor molecules, such as Avastin<sup>®</sup>, Herceptin<sup>®</sup>, Erbitux Mabthera<sup>®</sup>, Lucentis<sup>®</sup> and Eylea<sup>®</sup> have had a major impact in the treatment of cancer and eye disease.

The key components of the Company's strategy continue to be:

- Advancing our drug development pipeline to show clinically meaningful efficacy and safety in appropriately designed human clinical trials; and
- Building partnerships for the commercialisation and ongoing development of our therapeutic and diagnostic products; and
- Selectively exploiting and commercialising other aspects of the portfolio, namely:
  - therapeutics outside the oncology and eye disease area; and
  - clinical diagnostics and reagents for potential early revenues.

Circadian's product pipeline comprises:

- drug development programs including two monoclonal antibody products (VGX-100 and IMC-3C5) and a soluble receptor (VGX-300) both targeting different mediators of the process of angiogenesis and lymphangiogenesis as treatments for cancer and eye disease;
- a diagnostic test for Cancers of Unknown Primaries; and
- blood based diagnostic tests for VEGF-C and VEGF-D as predictive and prognostic tests in LAM and cancer patients.

## Directors' Report

Significant events demonstrating the implementation of our strategy during the year in review include:

- Restructuring of our oncology, ophthalmology and diagnostic & reagent programs into three 100% owned subsidiary companies – Ceres Oncology Pty Ltd to develop VGX-100 as a therapeutic in cancer and related supportive care indications; Opthea Pty Ltd to develop VGX-300 as a therapeutic in eye diseases particularly age-related macular degeneration (AMD); and Precision Diagnostics to develop our biomarker based diagnostic tests for VEGF-C and VEGF-D, commercialise our Cancers of Unknown Primary (CUP) diagnostic on a worldwide basis and to expand the marketing of our research reagents. This restructure provides improved flexibility for deal-making and capital raising for each of these separate activities.
- Selection of VGX-100 (our human antibody targeting VEGF-C ) as one of the Top 10 Oncology Projects to Watch in 2013 by the influential Windhover Conferences, a division of Elsevier Business Intelligence.
- Publication of data at the European Organisation for Research and Treatment of Cancer (EORTC-NCI-AACR) annual conference in Dublin, Ireland in November 2012 demonstrating that VGX-100 when combined with any of the three FDA approved tyrosine kinase inhibitor molecules - Sutent<sup>®</sup>, Nexavar<sup>®</sup> and Votrient<sup>®</sup> was able to improve tumour growth reduction in mouse models of colorectal cancer.
- Publication of data in collaboration with Schepens Eye Research Institute at Harvard University, at the Association for Research in Vision and Ophthalmology (ARVO) 2013 conference in Seattle showing that circulating blood plasma levels of VEGF-C are markedly increased in AMD patients and that VGX-300, an inhibitor of VEGF-C, works comparably to the marketed agent EYLEA<sup>™</sup> in the laser-induced mouse model of “wet” AMD;
- Excellent progress in the conduct of our Phase 1a and 1b clinical trials of VGX-100 in late stage cancer patients when used either as a monotherapy or in combination with Avastin<sup>®</sup>. An interim update was published at the 49th Annual Meeting of the American Society of Clinical Oncology (ASCO) in Chicago in June. Patient enrolment in these clinical studies is expected to be completed by Q3 2013.
- Entering into two further research reagent partnerships with the leading international suppliers of research products - Santa Cruz Biotechnologies and Bio-Rad Laboratories;
- Grant of a further US patent covering the use and development of diagnostics to VEGFR-3. This could have important implications for therapy monitoring in both the oncology and eye disease settings.
- The designation by the US FDA of our VEGF-D assay kit as a humanitarian use device (HUD), for “the detection of circulating VEGF-D intended to monitor patients who have been diagnosed with lymphangioliomyomatosis (LAM) for disease progression and response to therapeutic intervention.”; and
- Launch of a range of unique VEGF-C and VEGF-D Vegenics branded products as research reagents for sale directly to the worldwide life science research community.

## Directors' Report

### OVERVIEW OF OPERATIONS

During the year we created two new 100% owned subsidiaries – Ceres Oncology Pty Ltd and Opthea Pty Ltd to enable the development of our oncology and ophthalmology applications, and increased our investment in our existing 100% owned subsidiary Precision Diagnostics Pty Ltd.

The creation of separate businesses, each focussed on different therapeutic and development areas, with focused management dedicated to each entity supported by the Circadian team, is designed to

provide greater transparency to each development program and enable the inherent value in each program to be released. Additionally we believe it will also enable further investment from therapeutic area focused investors.

We believe this approach will allow the respective parts of our business to be separately valued which should manifest in an increased Circadian share price.

It also allows us greater flexibility as follows:

- dealing with specific assets without potentially degrading value in others;
- allowing shareholders to participate in each part of our business. For example, by allowing shareholders to invest in the new entity in private or listed form, or participate in royalty flows from a specific subsidiary; and
- allowing us to contract or expand resourcing into particular subsidiaries based on data, third party interest and state of capital markets.

### ADVANCING OUR THERAPEUTIC PRODUCT PIPELINE

Advancement of the VGX-100 (VEGF-C antibody) program for oncology and oncology supportive care

#### Ceres Oncology Pty Ltd

We filed an IND with the FDA in September 2011 for our fully human monoclonal antibody, VGX-100 in oncology indications. This enabled us to commence Phase 1 clinical trials at two leading oncology centres in the United States UCLA (Santa Monica, California) and MD Anderson Cancer Centre (Houston, Texas) in patients with advanced or metastatic solid tumours in January 2012.

The first in human clinical investigations will enrol approximately 40 patients in two dose escalation arms evaluating VGX-100 monotherapy (Arm A) and the combination of VGX-100 with the FDA approved drug Avastin<sup>®</sup> (Arm B). The primary objective is to establish the safety profile and optimal biological dose of VGX-100 alone and when combined with Avastin<sup>®</sup>. Secondary objectives include determination of anti-tumour responses, biomarker activity and the pharmacokinetics of VGX-100. Good progress was made during the year, with patient enrolment expected to complete by Q3 2013. We presented an interim update of the Phase 1 clinical study at the 49th Annual Meeting of the American Society of Clinical Oncology (ASCO) in Chicago in June.

We reported that single agent VGX-100 had been successfully administered in patients at increasing dose levels ranging from 1 to 20 mg/kg given weekly without any investigator reported Dose Limiting Toxicities (DLTs). Patient enrolment for the highest dose level cohort of single agent VGX-100 at weekly doses of 30mg/kg is nearing completion.

In addition we also reported at ASCO that VGX-100 at weekly doses of 2.5mg/kg in combination with Avastin<sup>®</sup> given every 2 weeks at doses of 5 or 10 mg/kg completed accrual with only one reported protocol specified DLT in the lowest combination dose level.

## Directors' Report

Further combination dose escalation cohorts have since completed and currently patient enrolment for the highest dose cohort combination of VGX-100 at weekly doses of 20 mg/kg with Avastin® at 10mg/kg given every 2 weeks is nearing completion.

To date more than 35 patients have received weekly doses of VGX-100 ranging from 1 to 30 mg/kg. Interim analysis of tumour response data on the first 25 patients enrolled and receiving VGX-100 indicates that about one third of patients had a best response of stable disease including some patients, who are refractory to standard treatments, showing a durable response for greater than 15 weeks. Further detailed evaluation of VGX-100 alone or in combination with Avastin® is ongoing.

During the year we were approached by leading breast cancer clinicians and key opinion leaders to explore the concept of using VGX-100 as a treatment for women with breast cancer treatment related lymphedema.

Emerging data indicates that VEGF-C may be up-regulated in women with breast cancer related lymphedema and involved in the pathophysiology of the condition. Thus, VGX-100 may have potential to become the first treatment for breast cancer related lymphedema.

Breast cancer related lymphedema is a major unmet clinical need with very limited treatment options estimated to cost the US healthcare system US\$1-2 billion per annum based on the need for continuous physical and compression therapy, and the impact of the disease on patients ability to work. It is a disease with significant physical, functional and quality of life issues for affected patients.

Breast cancer related lymphedema is the most common form of secondary lymphedema, occurring in breast cancer patients who undergo surgery, axillary lymph node dissection and/or radiotherapy. Data from the US National Cancer Institute indicated that there were approximately 230,000 new cases of breast cancer in the USA in 2011. The reported incidence of secondary lymphedema in this population ranges from 13-65%, depending on the population studied, the surgical technique utilised, measurement criteria used and the reported length of follow-up.

Ceres continues to undertake extensive analysis and clinical development planning for VGX-100. Based on the patient data emerging from the ongoing VGX-100 Phase 1a trial, Ceres expects to initiate a Phase 2a proof of concept clinical trial of single agent VGX-100 in women with breast cancer related Lymphedema at leading centres in the USA in late Q4, 2013. Initial interim results are expected to be available within 6 to 9 months after the study start.

We also continue to evaluate VGX-100 in a range of pre-clinical cancer models. We published data at the European Organisation for Research and Treatment of Cancer (EORTC-NCI-AACR) annual conference in Dublin, Ireland in November 2012 demonstrating that VGX-100 when combined with any of the three FDA approved tyrosine kinase inhibitor molecules - Sutent®, Nexavar® and Votrient® was able to demonstrate improved tumour growth reduction in mouse models of colorectal cancer.

This data further indicated that VGX-100 can act in combination with a range of anti-angiogenic approved drugs and therefore opens-up possibilities for VGX-100 to be used in a range of new therapeutic combinations across a range of tumour types.

## Directors' Report

A number of international pharmaceutical and biotechnology companies have expressed interest in the partnering of ongoing development of VGX-100 in oncology indications. These interactions were accelerated following the selection of VGX-100 as one of the Top 10 Oncology Projects to Watch in 2013 by the influential Windhover Conferences, a division of Elsevier Business Intelligence. Discussions with these parties are continuing.

After consultation with retinal specialists throughout the world we have identified that our technology, particularly VGX-300 (soluble VEGFR-3), has the potential to become an effective treatment for patients with Age-related Macular Degeneration (AMD), particularly in those who do not exhibit visual gains with existing treatments that target VEGF-A such as Lucentis<sup>®</sup> or Eylea<sup>®</sup> or Avastin<sup>®</sup>.

Advancement of the VGX-300 (soluble VEGFR-3) program for eye disease

### Opthea Pty Ltd

AMD is a medical condition which usually results in a loss of vision in the centre of the visual field (the macula) because of damage to the retina. The macula is the central area of the retina, which provides the most detailed central vision. AMD occurs in "dry" and "wet" (or neovascular) forms and is a major cause of blindness and visual impairment in older adults (>50 years).

The wet form of advanced AMD (also known as neovascular or exudative AMD) causes vision loss due to abnormal blood vessel growth (choroidal neovascularisation) in the back of the eye, ultimately leading to blood and protein leakage below the macula. Bleeding, leaking, and scarring from these blood vessels and sequelae eventually cause irreversible damage to the photoreceptors and rapid vision loss if left untreated.

VEGF-A has been shown to have a role in the proliferation of abnormal blood vessels in the retina of AMD patients. In a proportion of patients, anti-angiogenic agents that target VEGF-A can cause regression of the abnormal blood vessels and improve vision when injected directly into the vitreous humour of the eye. The injections must be repeated monthly or bi-monthly. Lucentis<sup>®</sup> and Eylea<sup>®</sup> are agents that target VEGF-A and have been approved for treatment of wet AMD by the FDA and regulatory agencies in other countries.

At present, AMD is estimated to affect 1.75 million people in the US, with approximately 200,000 new cases diagnosed each year. Despite the availability of Lucentis<sup>®</sup> and recently Eylea<sup>®</sup> as anti-VEGF-A agents, there remains an unmet need for wet AMD treatments that can:

- Treat anti-VEGF-A sub-responders (30-50% of all patients),
- Prevent progression of wet AMD,
- Reduce frequency of treatments, and
- Reduce side effects.

Published studies have indicated that VEGF-C may act as an alternative stimulus to VEGF-A for resistant patients.

We have been evaluating VGX-300 in industry accepted animal models of AMD with collaborators worldwide.

## Directors' Report

With one of our collaborators at Schepens Eye Research Institute at Harvard University, we published data at the Association for Research in Vision and Ophthalmology (ARVO) 2013 conference in Seattle showing that circulating blood plasma levels of VEGF-C are markedly increased in AMD patients and that VGX-300, an inhibitor of VEGF-C, works comparably to the marketed agent EYLEA™ in the laser-induced mouse model of wet AMD.

This data strongly implicates VEGF-C in the pathogenesis of wet AMD and confirms the potential of VGX-300 as a novel therapeutic for this disease either as a single agent or as an adjunct to existing agents targeting VEGF-A. We are continuing to evaluate VGX-300 in a range of animal models.

In parallel we have commenced pre-clinical and manufacturing activities of VGX-300 to support an IND filing with the FDA to undertake clinical trials in AMD patients. Opthea aims to file this IND in the second half of 2014.

Given the significant impact of AMD in the world's aging population and the limited ability of existing therapies to improve vision in a significant number of treated patients, there has been very strong interest expressed in our VGX-300 program by major pharmaceutical companies.

While these companies have indicated a preference for human clinical data before committing to partnership, a number have identified the competitive risk of waiting and are exploring potential earlier partnering with us. These discussions are continuing.

### Licensed Therapeutics

#### VEGFR-3 therapeutic antibody (IMC-3C5) – ImClone, an Eli Lilly Company

In April 2011, Circadian announced that our licensee, ImClone Systems, had commenced a Phase I clinical trial in cancer patients in the US. IMC-3C5 is an antibody which neutralises VEGFR-3. The Phase I trial is designed to identify an appropriate safe and tolerable dose level for future Phase II studies. The Phase I trial is expected to be completed in the second half of 2013.

ImClone has exclusive rights from Vegenics to develop the VEGFR-3 antibody in return for annual license fees and royalties on potential future product sales.

### Diagnostics & Reagents

#### Precision Diagnostics Pty Ltd

##### Cancer of Unknown Primary (CUP) origin diagnostic

In February 2009, we entered into a strategic partnership with Healthscope Limited, one of Australia's largest healthcare providers, to commercialise a diagnostic technology for CUP. The technology was jointly developed through a research partnership between Circadian, the Peter MacCallum Cancer Centre and NICTA (National ICT Australia).

Under the terms of the agreement, Healthscope will fully fund the development, clinical validation and marketing of the CUP test throughout Australia, New Zealand, Singapore and Malaysia. As part of this partnership, Circadian received an upfront fee and will earn development milestones and royalties on sales of the test.

## Directors' Report

CUP is generally less well known and publicised than other cancer types. However, it is actually more common than leukaemia and is the fourth most common cause of cancer deaths in Australia. CUP refers to a complex form of cancer in which the site of origin of a tumour cannot be identified using standard techniques. The inability to identify a primary site of cancer poses many challenges given that the primary site of cancer usually dictates the treatment, expected outcome, and overall survival.

Healthscope, in collaboration with Circadian, Peter MacCallum Cancer Centre and NICTA, has continued to invest considerable time and effort into the development of this product. We have published that the CUP test is able to detect the primary tumour type in CUP patients with 93% accuracy and 98.5% specificity across 15 different tumour types.

The CUP test was launched by Healthscope under the brand name CUPGUIDE™ 2012 with a number of doctors and hospitals undertaking ongoing internal assessments as part of their annual procurement planning process. Sales are expected to commence from the second half of 2013 onward.

Circadian retains all rights to the CUP test throughout the remainder of the world. We are currently working with our partners to generate further data to support filings for FDA registration and European CE marking in the next 12-18 months and in parallel seeking marketing partnerships for these territories.

### VEGF-D based LAM diagnostic

In February 2011, we announced a partnership with Cincinnati Children's Hospital Medical Centre to offer a VEGF-D based LAM diagnostic to patients in the USA as a laboratory test compliant with CAP (College of American Pathologists) /CLIA regulations.

This is the first blood-based diagnostic test for lymphangiomyomatosis (LAM). The diagnostic was developed by Cincinnati Children's Hospital Medical Centre using Circadian's VEGF-D technology following the discovery that high levels of VEGF-D holds the key to detecting the disease. LAM is a serious lung disease that causes shortness of breath and lung collapse. It affects mostly women, often striking in their 30's or child-bearing years. It is estimated to affect between 1,000-3,000 women in the United States and 100-300 in Australia. VEGF-D circulating in the blood has been shown to be a unique biomarker of this disease.

Although only a small number of patients have been diagnosed with LAM to date, the recent discovery of a link between LAM and the genetic abnormality causing the disease, referred to as Tuberous Sclerosis Complex (TSC), has led scientists to estimate that more than 250,000 women worldwide are unaware they have LAM. The availability of the test, and subsequent increasing knowledge of the disease amongst the general medical community is predicted to increase screening for LAM in patients, with the number of tests estimated to exceed 25,000 per annum within the next few years.

Doctors in the US are now ordering this test through the Translational Trials Development and Support Laboratory of Cincinnati Children's Hospital Medical Centre. While the test numbers remain small, they have grown over the financial year and we receive royalties on revenues received by Cincinnati's conduct of VEGF-D testing.

## Directors' Report

We expect continuing growth in test numbers as the use of the diagnostic becomes a routine procedure endorsed by increasing numbers of key opinion leaders and the continuing flow of scientific publications confirming the validity of VEGF-D as a biomarker in the clinical setting.

In addition, throughout the year there were a number of scientific publications published implicating VEGF-D as a biomarker which could be used to monitor ongoing efficacy of a certain class of drugs known as mTOR inhibitors, as well as implicating VEGF-D as a biomarker for certain types of autoimmune diseases. We have opened a series of collaborations with groups around the world to generate data to support the further use of VEGF-D diagnostics in these settings.

In late June the US FDA designated our VEGF-D assay kit as a humanitarian use device (HUD) for "the detection of circulating VEGF-D intended to monitor patients who have been diagnosed with lymphangiomyomatosis (LAM) for disease progression and response to therapeutic intervention."

Similar in concept to the FDA's designation of orphan drug status to therapeutic drugs, an HUD is defined by the FDA as a medical device intended to benefit patients in the treatment or diagnosis of a disease or condition that affects or is manifested in fewer than 4,000 individuals in the United States per year. HUD designation enables formal approval of a HUD using a regulatory approval process known as a Humanitarian Device Exemption (HDE).

The HDE process greatly accelerates marketing approval in the United States compared to conventional routes (PMA and 510(k)) as formal clinical studies to show effectiveness in the approved indication are not required to be submitted. We are currently completing the development of kits to be manufactured under current Good Manufacturing Practice (cGMP) and plan to submit our HDE application later this year.

### Research Reagents

We have existing non-exclusive licensing relationships in place with a number of the world's leading research reagent suppliers to provide VEGF-C/-D/-R3 related reagents. These relationships include R&D Systems Inc, Millipore-Merck, Perkin Elmer and Reliatech GmbH. During the year we entered into two additional relationships with leading players, Santa Cruz Biotechnologies and Bio-Rad Laboratories.

All of these relationships provide upfront payments as well as royalty on sales. Royalty income from these relationships increased in the period.

In addition, during the year we launched a range of unique VEGF-C and VEGF-D Vegenic branded products for sale as research reagents directly to the worldwide life science research community. The first products launched were recombinant human VEGF-D and VEGF-C that have been developed as part of Circadian's ongoing therapeutic development programs. These products have improved and complementary properties compared to commercially available VEGF-C and VEGF-D research reagents and will expand the range of reagents currently available to investigators researching angiogenesis and lymphangiogenesis.

Direct marketing of research reagents is an important part of our ongoing strategy to increase revenues into the company. Given the ever increasing number of laboratories studying angiogenesis and lymphangiogenesis worldwide, and the need to provide investigators with highly specialised reagents, we anticipate that our research reagents will become an ongoing revenue source over the next few years.

## Directors' Report

In 2013/14 Precision Diagnostics is aiming to achieve product development and marketing partnerships for CUPGUIDE<sup>®</sup> in the Northern Hemisphere; have expanded the number of entities distributing our licensed research reagents worldwide and to have developed appropriate data packages to seek registration of our VEGF-C and/or VEGF-D clinical diagnostic products in major territories.

Syngene Limited (51.7% owned)

Syngene is undertaking development of a unique peptide therapeutic technology originally developed by Dr Andrea Robinson of Monash University's Department of Chemistry. Development of the technology has been supported by Circadian since 2006. Syngene has also increased its spread of investments to include other ASX listed biotech companies.

As at June 30 2013 Syngene had cash assets of \$139,248 and investments in ASX listed biotech companies worth \$681,483.

Syngene is currently undertaking preclinical studies on modified forms of insulin and insulin analogues in collaboration with groups across Australia. Initial results have indicated that Syngene's technology is capable of significantly improving the stability of insulin and long and short acting forms of insulin, without loss of activity in vitro or in vivo. Results in industry recognised large animal models of metabolic disease indicate that our modified insulin's appear to have advantages over currently marketed forms. We are currently developing large scale production processes to enable formal pre-clinical studies to be undertaken and designing the pathway for clinical development.

Over the next 12 months Syngene is targeting the completion of at least one major development partnership for aspects of its modified peptide therapeutic platform.

### COMPANY OUTLOOK NEXT 12 MONTHS

Circadian believes that we have enormous value in our intellectual property and product development assets which have not been or are yet to be recognised by the markets.

We strongly believe that the achievement of the goals we have set out for each of the parts of our business, namely oncology, eye disease, diagnostics and reagents as well as the ongoing activities in Syngene, will drive shareholder value.

Circadian has a solid balance sheet, as shown by approximately \$11.0M in cash holdings as well as investments in other ASX listed biotechnology companies worth approximately \$2.2m as of June 30 2013. These resources enable us to continue our efficient drug and diagnostic development activities.

We recognise however, that in order to negotiate properly valued partnership deals and/or to provide flexibility to continue to invest in our own development activities to maximise the value of our assets for shareholders that our balance sheet should always retain reasonable levels of cash to support our ongoing activities.

As such, in addition to ongoing strong expense management, we will seek during 2013/14 to supplement our cash reserves by any one, or a combination of, IP licensing, sale of part or all of our investments or sale of equity in the parent company and/or subsidiaries.

## Directors' Report

We are targeting the following key events for the next 12 months:

- Completion of Phase 1a and 1b clinical trials with VGX-100 in cancer patients;
- Commencement of a Phase 2 clinical trial with VGX-100 monotherapy as a treatment for breast cancer related lymphedema with interim results being available in the second half of 2014;
- The generation of proof of principal of efficacy of VGX-300 in animal models of age related macular degeneration (AMD);
- Commencement of IND enabling studies with VGX-300 to support clinical development in AMD;
- Filing of an IND for VGX-300 to enable clinical trials in AMD patients in the second half of 2014;
- Filing of an FDA registration dossier and subsequent FDA approval for the use of VEGF-D kit to assist in the ongoing monitoring of therapy in patients with LAM
- A product development and marketing partnership for CUPGUIDE® in the Northern Hemisphere;
- The expansion of the number of licensed research reagent relationships with consequent increase in licence fees and royalty income;
- The expansion of our own marketed research reagents product catalogue and sales revenues;
- Executing a partnering development agreement for VGX-100 or VGX-300 with reputable third parties; and
- Supplementing our balance sheet by capital raising into the Circadian parent company and/or our subsidiaries

## OUR TECHNOLOGY

### VEGF proteins

Circadian's technology is centred on two members of the Vascular Endothelial Growth Factor (VEGF) family of proteins, VEGF-C and VEGF-D, and their activation of the VEGF receptors. These proteins promote the key biological processes of blood vessel development (VEGFR-2) and lymphatic vessel development (VEGFR-3), known as angiogenesis and lymphangiogenesis respectively.

### Angiogenesis and lymphangiogenesis

The growth of tumours is known to depend on the formation of new blood vessels to carry nutrients and oxygen to the new tissue. Targeting the process of angiogenesis has been a major breakthrough in anti-cancer therapeutics – an approach that led to the commercialisation of multi-billion dollar drug Avastin®, a monoclonal antibody against VEGF-A. While Avastin® has been demonstrated to be effective in fighting cancer, clinical results indicate that its effect in inhibiting angiogenesis is only partial. Hence there is a need for auxiliary or improved anti-angiogenesis agents. In addition to regulating fluid levels in the body, the lymphatic system plays an important role in cancer progression. Lymph is filtered in the lymph nodes, trapping cancer cells that leave the site of a primary cancer. Recent evidence suggests that new lymphatic vessels formed by certain tumours (for example, breast cancer) are a major means of spreading cancer to other sites in the body. Tumour spread is often the primary cause of cancer mortality and inhibiting lymphangiogenesis may therefore represent a powerful approach to preventing cancer spread.

## Directors' Report

### About VEGF-C, VEGF-D and VEGFR-3

Closely related to VEGF-A (the target of Avastin®), proteins VEGF-C and VEGF-D bind to VEGF receptors promoting both angiogenesis and lymphangiogenesis. VEGFR-3 is a receptor protein embedded in the plasma membrane of the cells that form lymphatic capillaries. Studies by Circadian's scientists and its collaborators have shown that these proteins play an essential role in lymphatic and blood vessel development. These studies have led to a surge of interest in VEGF-C, VEGF-D and VEGFR-3 as potential new targets for anti-cancer therapy.

The applications for the VEGF technology are substantial and broad. Circadian's internal product development programs are primarily focused on developing VGX-100 (a human antibody against VEGF-C) as a treatment for lymphedema resulting from breast cancer treatment and solid tumours, in particular glioblastoma and colorectal cancer through its subsidiary Ceres Oncology, as well as developing VGX-300 (soluble VEGFR-3) for 'back of the eye' disease such as "wet" Age Related Macular Degeneration through its subsidiary Opthea Pty Ltd. Circadian has also licensed rights to some parts of its intellectual property portfolio for the development of other products to ImClone Systems, a wholly-owned subsidiary of Eli Lilly and Company, including the anti-lymphatic antibody-based drug IMC-3C5 targeting VEGFR-3.

### Intellectual property

Circadian owns the world's most extensive IP portfolio related to VEGF-C, VEGF-D and VEGFR-3. These rights were originally licensed or assigned from a variety of parties, including the Ludwig Institute for Cancer Research Ltd, the University of Helsinki and Human Genome Sciences. Circadian's rights to develop biological inhibitors to these proteins are protected worldwide and some as far into the future as 2033.

## INHERENT RISKS OF INVESTMENT IN BIOTECHNOLOGY COMPANIES

Some of the risks inherent in the development of a product to a marketable stage include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of the necessary drug regulatory authority approvals and difficulties caused by the rapid advancements in technology. Also a particular compound may fail the clinical development process through lack of efficacy or safety. Companies such as Circadian are dependent on the success of their research and development projects and technology investments. Investment in research and development projects and technology-related companies cannot be assessed on the same fundamentals as trading and manufacturing enterprises. Thus investment in these areas must be regarded as speculative taking into account these considerations.

This annual report may contain forward-looking statements regarding the potential of the Group's projects and interests and the development and therapeutic potential of the Group's research and development projects. Any statement describing a goal, expectation, intention or belief of the Group is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercialising drugs that are safe and effective for use as human therapeutics and the financing of such activities.

## Directors' Report

There is no guarantee that the Group's research and development projects and interests (where applicable) will be successful or receive regulatory approvals or prove to be commercially successful in the future.

Actual results of further research could differ from those projected or detailed in this report. As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these and other risks concerning the Group's research and development program referred to in this annual report for the period ended 30 June 2013.

### Review of Operations

The Operating and Financial Review Report, which forms part of this Directors' Report, provides information regarding the consolidated entity's key corporate activities and the progress achieved during the 30 June 2013 financial year.

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity attributable to the owners of the Company reduced from \$18,911,393 to \$13,451,614 primarily as a result of ongoing operational expenditure as the Group progressed its research and development program

#### SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

#### CORPORATE OBJECTIVES AND LIKELY DEVELOPMENTS

The Group's objective is to develop therapeutic products primarily to treat cancer and other serious diseases based on its intellectual property relating to Vascular Endothelial Growth Factors (VEGF) C, D and R3.

Two clinical drug development programs are underway in oncology. One of these candidates IMC-035, an antibody to VEGFR-3, is being developed and funded by licensee ImClone Systems Inc (100% owned subsidiary of Eli Lilly & Co) and is currently in Phase 1 clinical studies in cancer patients. The other, VGX-100, an antibody to VEGF-C, is being developed internally by Circadian and is also in Phase 1 clinical studies in cancer patients.

The commercialisation objective is to:

- secure development partnerships for one or more of the Group's therapeutic programs;
- retain development of one selected therapeutic to proof of efficacy in humans and partner thereafter; and
- selectively exploit/commercialise other aspects of the portfolio, namely:
  - therapeutics outside the oncology area; and
  - clinical diagnostics and reagents for early revenues.

The IP property accumulated by the Group has applications not just in cancer, the primary therapeutic development focus, but also in a number of other areas such as eye disease. The Group will continue to expand its IP property rights and product portfolio around the core area of cancer as well as in other disease areas.

## Directors' Report

### CORPORATE OBJECTIVES AND LIKELY DEVELOPMENTS (continued)

The likely developments in the Group's operations, to the extent that such matters can be commented upon are covered in the Operating and Financial Review Report.

### ENVIRONMENTAL REGULATIONS

The Group is not subject to significant environmental regulations.

### INDEMNIFICATION AND INSURANCE

During the financial year ended 30 June 2013, the Company indemnified its directors, the company secretary and executive officers in respect of any acts or omissions giving rise to a liability to another person (other than the Company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the Company indemnified the directors, the company secretary and executive officers against any liability incurred by them in their capacity as directors, company secretary or executive officers in successfully defending civil or criminal proceedings in relation to the Company. No monetary restriction was placed on this indemnity.

The Company has insured its directors, the company secretary and executive officers for the financial year ended 30 June 2013. Under the Company's Directors' and Officers' Liabilities Insurance Policy, the Company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

### DIRECTORS' MEETINGS

The number of meetings of directors and meetings of committees of the Board held during the year are set out below. Attendance by the directors at these meetings as relevant to each of them is as shown. Where a director did not attend all meetings of the Board or relevant committee, the number of meetings for which the director was eligible to attend is shown in brackets. It is the Company's practice to invite all directors to committee meetings irrespective of whether they are members.

	Directors'	Meetings of Committees		
	Meeting	Audit & Risk	Remuneration	PDR
Number of meetings held:	9	3	1	-
Number of meetings attended:				
Dominique Fisher	9	3	1	-
Robert Klupacs	9	3	-	-
Don Clarke	9	3	1	-
Tina McMeckan	9	3	1	-
Errol Malta	4	-	-	-

### COMMITTEE MEMBERSHIP

During the year, the Company had an Audit and Risk Committee and a Remuneration Committee. The Product Development Review Committee (PDRC) did not meet during 2013 and has ceased.

## Directors' Report

Members acting on the committees of the board during the year were:

Audit & Risk	Remuneration
T McMeckan (Chairman)	D Clarke (Chairman)
D Fisher	D Fisher
D Clarke	E Malta <sup>1</sup>

<sup>1</sup> Eric Malta resigned effective 1 October 2012.

### AUDITOR INDEPENDENCE

The directors have obtained a declaration of independence from Deloitte Touche Tohmatsu, the Group's auditors, which is contained in the financial report.

### NON-AUDIT SERVICES

Taxation advice was also provided by the entity's auditor, Deloitte Touche Tohmatsu.

### PROCEEDINGS ON BEHALF OF THE COMPANY

There were no persons applying for leave under section 237 of the Corporations Act 2001 to bring, or intervene in, proceedings on behalf of the Company.

### REMUNERATION REPORT (audited)

This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the Corporations Act 2001 for the Company and the consolidated entity for the year ended 30 June 2013.

This report provides a summary of the remuneration policies and practices adopted by Circadian during the 2013 financial year for directors and key management personnel as defined by the Accounting Standards AASB124: Related Party Disclosures. Key management personnel includes persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes all the executives in the parent and the Group.

### Details of Key Management Personnel

The details of key management personnel of the Company and the Group are provided below:

#### (i) Directors

Dominique Fisher	Chairman (non-executive)
Robert Klupacs	Managing Director
Don Clarke	Director (non-executive)
Tina McMeckan	Director (non-executive)
Errol Malta	Director (non-executive) (resigned 1 October 2012)

#### (ii) Executives

Megan Baldwin	Head of Pre-clinical Development/CEO Opthea Pty Ltd
Richard Chadwick	Head of Intellectual Property
Mike Gerometta	Head of CMC Development
Ian Leitch	Head of Clinical Development
Steven Zammit	CFO and Company Secretary (commenced 25 February, 2013)

Except as noted, the above named persons held their current position for the whole of the financial year and since the end of the financial year.

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

#### Diversity

In April 2011, the Company established a Diversity Policy in accordance with Recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations. As part of that policy, the Remuneration Committee has the responsibility to, at least annually, report on the relative proportion of women and men in the workforce at all levels of the Company.

As at 30 June 2013, women comprise 50% of our workforce, 29% of our senior management positions and 50% of the non executive positions on our Board.

The Board considers that these figures represent a sound level of diversity within the organisation and aims to at least maintain these levels. Appointments will continue to be based on merit as the Circadian Board aims to attract and maintain a team which has an appropriate and diverse mix of skills, experience and expertise.

#### Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the executive and non-executive directors and other key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality board and executive team.

#### Remuneration Policy

The remuneration of key management personnel is designed to enable the Group to attract, motivate and retain non-executive officers and executive officers who will create value for shareholders and to fairly and responsibly remunerate them having regard to their performance, the performance of the Group and the general pay environment.

To this end, the Group has adopted the following principles in its remuneration framework: provide competitive rewards to attract high calibre executives; link executive rewards to shareholder value; and establish appropriate, demanding performance hurdles for variable executive remuneration.

#### Remuneration Structure

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

#### Non-Executive Director Remuneration

##### Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, while incurring a cost which is acceptable to shareholders.

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

#### Structure & Performance

The Company's constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors will be determined from time to time by a general meeting. An amount (not exceeding the amount approved at the General Meeting) is determined by the Board and then divided between the non-executive directors as agreed. The latest determination was at the Annual General Meeting on 6 October 2005 when shareholders approved the aggregate maximum sum to be paid or provided as compensation to the non-executive directors as a whole (therefore excluding the Managing Director and any executive director) for their services as \$500,000 per annum. Currently, non-executive directors are compensated to an aggregate of \$237,902 per annum (2012: \$308,846), which is inclusive of superannuation. The 2013 director fees are below 50% of the aggregate maximum sum approved by shareholders.

The manner in which the aggregate compensation is apportioned amongst non-executive directors is reviewed periodically.

Each director receives a fee for being a director of the Company (currently ranging between \$46,000 to \$75,000 per annum) and an additional annual fee of \$5,000 per committee is also paid for each Board committee on which a director sits. The Chairman Ms Fisher is not paid a fee for her position on the remuneration committee. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

Non-executive directors were not compensated by way of issue of securities in the Company during the year ended 30 June 2013. It is at a director's discretion as to whether they will purchase shares in the Company, on market, during the appropriate trading windows available throughout the year. The holdings of the directors are disclosed under the Directors' Interests section of the Directors Report.

The Board is responsible for reviewing its own performance. Board performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months. The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: board structure, board role and responsibilities, strategy and planning, monitoring of company performance and board culture and relationships (amongst each director and with management). The compensation of non-executive directors for the years ended 30 June 2013 and 30 June 2012 are detailed in Table 1 of this report.

#### Executive Remuneration

##### Objective

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

- reward executives for company performance;
- link reward with the strategic goals of the Company;
- align the interest of executives with those of shareholders; and
- ensure total compensation is competitive by market standards.

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

#### Structure & Performance

In determining the level and make-up of executive remuneration, the remuneration committee engages external consultants as needed to provide independent advice and/or may also perform its own market research by accessing relevant remuneration reports prepared by third parties. No external consultants were engaged in the current or previous financial year.

Compensation consists of the following key elements, the relative proportions of which are market based (note that short-term incentives were introduced for the first time during the 30 June 2007 financial year):

- Fixed remuneration (base salary and superannuation)
- Variable remuneration:
  - Short-term incentive (STI); and
  - Long-term incentive (LTI)

The non-executive directors are responsible for evaluating the performance of the Managing Director and of the other management. The Managing Director also evaluates the performance of the other management. The performance evaluation of the management involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are being achieved and whether long-term strategic objectives are being achieved. Specific and measurable qualitative and quantitative performance criteria are used. Due to the nature of the Company's activities and the stage that it is at with respect to these activities, profitability is not a performance measure for STIs although effective management of the Company's resources in achieving value for shareholders is expected. LTIs are linked to share price appreciation and KPIs for STIs are linked to activities/milestones that are expected to create value for shareholders.

The performance of the Managing Director and the other management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. The last remuneration committee at which a review of remuneration structure for the management was held in May 2013. The key performance indicators for the financial year ending 30 June 2014 are expected to be approved by early September.

Table 1 of this report sets out the remuneration of key management personnel (KMP) of the Company for the years ended 30 June 2013 and 30 June 2012 showing the proportion of fixed remuneration and variable remuneration.

The remuneration committee determined not to grant any STI or LTI to any of the KMP.

#### Fixed Remuneration

##### Objective

The level of fixed compensation is set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market. As noted above, the remuneration committee has access to external advice independent of management.

##### Structure

KMP fixed compensation comprises salary and superannuation and is reviewed every 12 months by the remuneration committee.

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

#### Variable Remuneration – Short Term Incentive (STI)

##### Objective

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

##### Structure

Actual STI payments in the form of cash bonuses to KMP depends on the extent to which specific targets set at the beginning of the financial year (or shortly thereafter) are met. The targets consist of a number of Key Performance Indicators (KPIs) covering corporate objectives and individual measures of performance. Individual KPIs are linked to the Company's strategy and drug development annual business plan.

On an annual basis, after consideration of performance against KPIs, the remuneration committee, in line with its responsibilities, determines the amount, if any, of the STI to be paid to KMP. This process occurs within one month after the relevant financial year end.

The maximum annual STI bonus available for KMP is subject to the approval of the remuneration committee. Payments of the STI bonus are made in the following reporting period.

The maximum annual STI bonus available for each other member of management is determined by the managing director.

##### STI bonus for the 2013 financial year

The remuneration committee considered the STI payment for the 2013 financial year within the first two months after the end of that year. The remuneration committee has determined there will be no STI bonus for the 2013 financial year.

#### Variable Remuneration – Long Term Incentive (LTI)

##### Objective

The objective of the LTI plan is to reward KMP in a manner that aligns this element of compensation with the creation of shareholder wealth.

As such, LTI grants are made to KMP who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

##### Structure

LTI grants to KMP are delivered in the form of options and conditional rights.

The remuneration committee has determined there will be no LTI grants to (KMP) for the 2013 financial year.

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

In valuing transactions settled by way of issue of options or conditional rights, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Circadian Technologies Limited. All options and conditional rights issued have market performance conditions so as to align shareholder return and reward for the Company's KMP.

#### Hedging of unvested options

The Company prohibits executives from entering into arrangements to protect the value of unvested options. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

The Company has ensured adherence to this policy by requesting each KMP to sign a declaration of compliance with the hedging policy.

#### Options issued in financial years 2007 to 2009

In January 2007, a Circadian Senior Management Option Plan (Option Plan) was implemented to offer options which are subject to performance hurdles. The options issued to employees (including KMP) in 2007, 2008 and 2009 pursuant to this Option Plan were divided equally into three tranches.

The number of options in each tranche will vest on the satisfaction of the following performance conditions during the relevant option period (2007 options within 5 years of the grant date; 2008 and 2009 options within approximately 4 years of grant date) (Performance Hurdles). The 2007 options issued have an exercise price of \$1.50; the 2008 options issued have an exercise price of \$1.30 and the 2009 options issued have an exercise price of \$1.00 (Exercise Price).

- Tranche 1 – a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price;
- Tranche 2 – the Share Price achieves not less than 150% of the Exercise Price; and
- Tranche 3 – the Share Price achieves not less than 175% of the Exercise Price.

The Share Price is to be calculated as the volume weighted average share price of Circadian shares traded on the ASX over a consecutive 15 day trading period.

The options issued in the 2008 financial year were to Robert Klupacs, pursuant to an Executive Contract dated 20 December 2007. These options expired in February 2012.

Vested options may only be exercised at any time in the last 12 months of the relevant option period.

The Exercise Price is subject to any adjustment which is required under the ASX Listing Rules as a consequence of a capital reorganisation or a pro-rata rights issue of shares which occurs after the grant of the options but prior to the exercise of the options.

The Board has residual discretion to accelerate vesting (i.e. reduce or waive the Performance Hurdles) and exercise of options in the event of a takeover or merger or any other circumstance in accordance with the terms of the Option Plan.

Options in relation to which performance conditions have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised, except in circumstances as described below.

Options which have not vested will lapse where an option holder ceases employment with Circadian other than on retirement, redundancy, death or total and permanent disablement, or unless as otherwise determined by the Board in its absolute discretion.

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

Where an option holder has ceased employment with Circadian as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period but not before the first anniversary of grant date, options (whether vested or not) may be retained by the option holder on a pro-rata basis (the pro-rata being calculated over the period from grant date).

As at 30 June 2013 all options issued in 2007, 2008 and 2009 pursuant to the Option Plan have expired. This Option Plan has now been replaced by the Employee Conditional Rights Scheme below.

#### Conditional Rights issued in financial year 2011

In November 2010, at the Annual General Meeting, the shareholders of Circadian approved the implementation of the Employee Conditional Rights Scheme. The purposes of the Scheme and the issue of Rights are to provide a long term incentive to Circadian staff as part of a focus on transforming remuneration to link to the achievement of performance benchmarks, encourage direct involvement and interest in the performance of the Company, and enable the acquisition of a long term equity interest by its staff.

In March 2011, Circadian issued 1,560,000 conditional rights to shares that were taken up by employees. The Company issued a further 150,000 conditional rights in May 2012. For each conditional right, an employee is entitled to require that Circadian issues one free share to them, subject to the achievement of certain milestones, as described in the notice of meeting issued to shareholders on 11 October 2010. The exercise of the rights is conditional on the Group achieving the following milestones:

- Milestone 1 - 33% of the rights will vest if either of the following occurs within 18 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed; or
  - annualised royalty income exceeds \$2 million.
- Milestone 2 - 67% of the rights will vest if any three of the following occurs within 36 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
  - the share price based on a 10 day Volume Weighted Average Price (VWAP) at any time exceeds \$1.50 within 90 days of the date of the offer, which is 4 March 2011;
  - completion of necessary studies to have enabled the VGX-200 or VGX-300 series of molecules to be designated "formal drug development candidates;
  - identification of a putative biomarker/clinical profile to enable patient selection into Phase 2 clinical trials; or
  - annualised sales royalty income exceeds \$5 million.

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

- Milestone 3 - 100% of the rights will vest if any three of the following occurs within 48 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
  - the share price based on a 10 day Volume Weighted Average Price (VWAP) at any time exceeds \$1.75 within 90 days of the date of the offer, which is 4 March 2011;
  - completion of necessary studies to have enabled the VGX-200 or VGX-300 series of molecules to be designated "formal drug development candidates;
  - identification of a putative biomarker/clinical profile to enable patient selection into Phase 2 clinical trials; or
  - annualised sales royalty income exceeds \$7.5 million.

Notwithstanding the vesting timetable above, 100% of the conditional rights will crystallise and be able to be exercised if:

- the 10 day Volume Weighted Average Price (VWAP) of the shares is not less than \$1.75 at any time;
- in the event of a sale, merger or takeover or other similar event as determined by the Board, provided that the sale, merger or takeover effective offer price per share as determined by the Board exceeds:
  - \$1.30 per share, if within 12 months of 4 March 2011;
  - \$1.50 per share if within 24 months of 4 March 2011;
  - \$1.75 per share if within 36 months of 4 March 2011; or
  - \$2.00 per share if within 48 months of 4 March 2011.

The conditional rights which have been issued have an expiry date of 31 March 2015. Conditional rights in relation to which performance conditions have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised.

Further information regarding the Conditional Rights Scheme can be obtained from Table 2 of the remuneration report and note 26(b) of the financial statements.

#### Shareholder Returns/Value

The following is a summary of the consolidated entity's earnings and shareholder returns/value for the current year and in the previous four financial years:

	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$
Revenue	1,153,687	1,485,832	1,834,467	2,251,462	3,030,335
Loss before tax	(6,562,515)	(7,308,526)	(11,043,282)	(6,838,738)	(9,875,803)
Loss after tax	(5,004,506)	(4,906,456)	(10,265,346)	(6,948,240)	(9,921,670)

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$
Basic (loss)/earnings per share	(0.10)	(0.10)	(0.22)	(0.15)	(0.22)
Capital return per share	-	-	-	-	-
Dividends per share	-	-	-	-	-
NTA backing per share @ 30 June	0.33	0.41	0.47	0.70	0.86
Circadian share price @ 30 June	0.23	0.35	0.58	0.52	0.73

Due to the nature of the Group's activities (being in the biotechnology industry) as described under Principal Activities, results year to year do fluctuate. The factors contributing to this year's and last year's financial results are described under Operating and Financial Review of this report.

#### Employment contracts

Mr Robert Klupacs, who was appointed Managing Director effective 1 March 2008, is employed under an ongoing contract. The current employment contract commenced on 1 December 2007. Under the terms of the present contract (including any subsequent board approvals relating to fixed remuneration):

- Mr Klupacs receives fixed remuneration of \$397,572 per annum.
- Mr Klupacs may resign from his position and thus terminate this contract by giving 3 months notice.  
On resignation, any unvested LTI options or conditional rights will be forfeited.
- The Company may terminate this employment agreement by providing:
  - 6 months notice; or
  - payment in lieu of the notice period (as detailed above) based on the fixed component of Mr Klupacs' remuneration and a pro-rata of that part of the annual STI (if any) that is payable in cash at the time of termination. As stated earlier in this report, STIs are payable on the achievement of KPIs.

On termination notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.

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

Mr Klupacs was also granted 500,000 options under the terms of the initial contract and as part of his ongoing remuneration, 500,000 LTI options were granted in February 2008. Refer to "Options issued in financial years 2007 to 2009" above, for terms and conditions of the options granted these options have now since lapsed. At the Annual General Meeting held on 11 November 2010, the shareholders gave approval for the grant of 520,000 conditional rights to Mr Klupacs under the Company's Employee Conditional Rights Scheme, resolved to be granted by the Board in October 2010 and, upon exercise of those conditional rights, the acquisition of 520,000 ordinary shares underlying those rights, in accordance with the terms of the scheme. Refer to "Conditional Rights issued in financial year 2011" for terms and conditions of the rights granted.

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

All executives have ongoing contracts. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The notice period is determined by the employment agreement for each executive. On termination on notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed and only up to the date of termination. On termination with cause, any unvested options or conditional rights will immediately be forfeited.

# Directors' Report

## REMUNERATION REPORT (audited) (continued)

Table 1: Remuneration of key management personnel for the year ended 30 June 2013 (Consolidated)

		Short Term		Employment	Term	Benefits	Payment	Performance Related	
		Salary & Fees \$	Cash Bonus \$	Super-annuation \$	Long Service Leave \$	Termination Pay \$	Options/ Conditional Rights \$	\$	%
<b>Non-Executive Directors:</b>									
D Fisher	2013	80,004	-	7,200	-	-	-	87,204	
	2012	80,004	-	7,200	-	-	-	87,204	
D Clarke	2013	56,004	-	5,040	-	-	-	61,044	
	2012	56,004	-	5,040	-	-	-	61,044	
T McMeckan	2013	51,000	-	4,590	-	-	-	55,590	
	2012	51,000	-	4,590	-	-	-	55,590	
E Malta (1)	2013	31,251	-	2,813	-	-	-	34,064	
	2012	80,004	-	7,200	-	-	-	87,204	
C Montagner (2)	2013	-	-	-	-	-	-	-	
	2012	16,334	-	1,470	-	-	-	17,804	
Sub-total Non-Executive Directors	2013	218,259	-	19,643	-	-	-	237,902	
	2012	283,346	-	25,500	-	-	-	308,846	
<b>Executive Directors:</b>									
R Klupacs	2013	397,572	-	35,781	-	-	26,013	459,366	5.66%
	2012	397,572	84,484	43,385	-	-	7,697	533,138	17.29%
<b>Other Key Management Personnel:</b>									
I Leitch	2013	181,896	-	16,371	-	-	4,720	202,987	2.33%
	2012	146,540	22,313	14,366	-	-	3,517	186,736	13.83%
M Baldwin	2013	241,969	-	20,946	-	-	12,373	275,288	4.49%
	2012	185,304	30,639	19,435	-	-	7,420	242,798	15.68%
M Gormetta	2013	182,232	-	16,401	-	-	9,838	208,471	4.72%
	2012	175,224	26,339	18,141	-	-	4,698	224,402	13.83%
M Sullivan (3)	2013	-	-	-	-	-	-	-	
	2012	189,363	-	-	-	-	-	189,363	
R Chadwick	2013	167,966	-	15,117	-	-	11,143	194,226	5.74%
	2012	199,513	17,707	19,550	-	-	6,258	243,028	9.86%
S Madden (4)	2013	121,264	-	10,914	-	-	-	132,178	0.00%
	2012	170,003	26,005	17,641	-	-	3,662	217,311	13.65%
S Zammit (5)	2013	62,769	-	5,649	-	-	-	68,418	
	2012	-	-	-	-	-	-	-	
Sub-total Executive KMP	2013	1,355,668	-	121,179	-	-	64,087	1,540,934	
	2012	1,463,519	207,487	132,518	-	-	33,252	1,836,776	
Totals	2013	1,573,927	-	140,822	-	-	64,087	1,778,836	
	2012	1,746,865	207,487	158,018	-	-	33,252	2,145,622	

## Directors' Report

### REMUNERATION REPORT (audited) (continued)

Table 1: Remuneration for the year ended 30 June 2012 (Consolidated) (continued)

- 1 E Malta resigned on 1 October, 2012
- 2 C Montagner resigned from the board effective 14 October 2011.
- 3 M Sullivan resigned on 15 December, 2012.
- 4 S Madden resigned on 28 February, 2013
- 5 S Zammit was appointed Chief Financial Officer and Company Secretary on 25 February, 2013

For the year ended 2012 of the \$207,487 paid for bonuses the amount of \$50,722 was cash sacrificed by the Executives and Key Management Personal and was paid via the issue of ordinary shares in the company.

\* No options have been exercised by the executive directors and other executives in the last eight years.

As at 30 June 2013, no options had vested or were exercised during the year as all options were "out-of-the-money" (exercise prices range between \$1.00 and \$1.50 whereas the Company's share price at 30 June 2013 was 23 cents).

The value of the options and conditional rights attributed to compensation of certain key management personnel for the current financial year represent the expensing of options and conditional rights that were granted in the 2007, 2008, 2009, 2011 and 2012 financial years, and has been determined by allocating the fair value of the options and conditional rights equally over their respective vesting periods.

Refer to note 26 of the financial report for details on the valuation of options and conditional rights.

Table 2: Share base payment arrangements in existence during the year (Consolidated)

Conditional right series	Grant date	Expiry date	Grant date fair value	Vesting date
(1) Issued 22/3/2011	7/3/2011	31/3/2015	\$0.25	Vest at date of grant
(2) Issued 22/3/2011	8/3/2011	31/3/2015	\$0.20	Vest at date of grant
(3) Issued 22/3/2011	8/3/2011	31/3/2015	\$0.25	Vest at date of grant
(4) Issued 22/3/2011	17/3/2011	31/3/2015	\$0.25	Vest at date of grant
(5) Issued 22/3/2011	18/3/2011	31/3/2015	\$0.25	Vest at date of grant
(6) Issued 22/3/2011	2/10/2011	31/3/2015	\$0.11	Vest at date of grant

Table 3: Compensation conditional rights: Granted and vested during the year (Consolidated)

		Granted during year		Terms & Conditions for each Grant			Vested during year
		No.	Grant Date	Fair value per conditional right at grant date (note 26)	Exercise price per conditional right (note 26)	Expiry Date	No.
Executives							
I Leitch	2013	-	-	-	-	-	-
	2012	150,000	2/10/2011	\$0.11	\$0.00	31/3/2015	-
Total Options	2013	-	-	-	-	-	-
	2012	150,000	2/10/2011	\$0.11	\$0.00	31/3/2015	-

Refer to Note 26 of the financial statements for further details of the share based payment plans. There were no options or conditional rights granted or shares issued to key management personnel since the end of the financial year.

## Directors' Report

This report has been signed in accordance with a Resolution of the Directors made pursuant to S.298 (2) of the Corporations Act 2001 on 26 August 2013.

For and on behalf of the Board:



Robert Klupacs

Director



Dominique Fisher

Director

Melbourne

26 August 2013

## Management Team

ROBERT KLUPACS - BSc(Hons), Grad Dip IP Law, MAIPA  
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Robert Klupacs joined Circadian Technologies Limited as an executive in August 2005 and was appointed as Managing Director of the Company on 1 March 2008. He is also an Executive Director of all of the Company's wholly owned subsidiaries and Chairman of subsidiary company Syngene Limited. Mr Klupacs is a registered Australian patent attorney and has been involved in the biotechnology industry for over 20 years. He has significant expertise in technology commercialisation and corporate structuring and has negotiated and closed a number of major licensing transactions with international pharmaceutical and biotechnology companies throughout his career. Prior to his position at Circadian, Mr Klupacs was CEO of ES Cell International Pte Ltd (ESI), a pioneering company in the development of human embryonic stem cell technologies based in Singapore. Prior to his role at ESI, he spent two and a half years running the Monash Institute of Reproduction and Development (MIRD) in Melbourne as its Chief Operating Officer, where he founded six start-up companies, and before that was employed for over 11 years by Zenyth Therapeutics Limited (formerly Amrad Corporation Ltd), with the last four years in that company as a member of the executive team and Director of Intellectual Property.

RICHARD CHADWICK - PhD  
HEAD OF INTELLECTUAL PROPERTY

Richard Chadwick, who joined Circadian in February 2008, is qualified as both a European and Australian patent attorney. Richard joined Circadian from FB Rice & Co, where he had been working for five years in the Biotechnology Group. Prior to that, Richard had 10 years' experience in intellectual property in the UK. This included working as an in-house attorney at Dow Corning Limited and five years working as an in-house attorney at Unilever.

MEGAN BALDWIN - PhD  
HEAD OF PRE-CLINICAL R&D & CEO OPTHEA PTY LTD

Megan Baldwin joined Circadian in January 2008 and is responsible for research and development of Circadian's product pipeline and team leader of Circadian's ophthalmology program. Prior to joining Circadian, she was employed at Genentech (now Roche), the world leader in the field of angiogenesis-based therapies for cancer and other diseases. Her experience included several years as a researcher in the group of leading angiogenesis expert Napoleone Ferrara, before moving to Genentech's commercial division and having responsibility for corporate competitive intelligence activities. In these roles, she developed extensive commercial and scientific knowledge in the field of anti-angiogenic and oncology drug development. Megan has a scientific background of more than 15 years, focused on angiogenesis and therapeutic strategies for cancer and ophthalmological indications. She holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research.

## Management Team (continued)

IAN LEITCH - PhD

### DIRECTOR – CLINICAL RESEARCH

Ian Leitch has been Director of Clinical Research of Circadian Technologies Ltd since September 2011. He has over 15 years of research and management experience from drug discovery through clinical development in biotechnology/pharmaceutical companies. For the five years prior to joining Circadian, he was a member of the Medical Sciences group at Amgen Inc in Thousand Oaks California involved in the development of novel therapeutics in Amgen's oncology pipeline. In his role as Senior Manager in the Early Development Oncology Therapeutic Area, he had responsibility for the oversight, design, management and execution of Phase 1-2 clinical studies in oncology. Prior to joining Amgen, he spent eight years at Miravant Medical Technologies in Santa Barbara California. He held positions of increasing responsibility including Senior Program Manager for Cardiovascular Research and Clinical Study Director for Ophthalmology. At Miravant he managed pre-clinical efficacy studies, developed relationships with Key Opinion Leaders and designed Phase 1-2 clinical studies in collaboration with the Cardiovascular device company Guidant Inc. He previously, held the position of

NHMRC Senior Research Officer, at the University of Newcastle, and was based at the John Hunter Hospital in Australia. He received his PhD from the Department of Pharmacology, Faculty of Medicine at Monash University in 1993 and completed part of the degree at the University of California, Santa Barbara as part of an Education Abroad Program Scholarship.

STEVEN ZAMMIT - B.Bus (Acc), Post Grad Dip (Acc), M.Bus, (Banking & Fin), CPA

### CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Steven Zammit was appointed as the company's Chief Financial Officer and Company Secretary of Circadian Technologies Limited on 25 February, 2013 following the resignation of Susan Madden on 28 February, 2013. Prior to holding this position, Mr Zammit was the Chief Financial Officer of Oliver Hume Real Estate Group and prior to that was the General Commercial Manager and assistant Company Secretary at Molopo Energy Limited. Prior to these roles Mr Zammit has held senior finance positions with ASX listed and US Multinational companies and has over 25 years commercial experience. Mr Zammit is also the Company Secretary for Syngene Limited, Vegene Pty Ltd and all other Circadian subsidiary companies.

## Board of Directors

DOMINIQUE FISHER - BA(Hons), MAICD

### NON-EXECUTIVE CHAIRMAN

Dominique Fisher was appointed a non-executive director of Circadian in September 2005. She became Chairman of the Board in the subsequent month and is a member of the Company's Audit and Risk Committee. She has extensive business experience in the corporate area, including the commercialisation of new technologies. Ms Fisher is Principal and Executive Director of EC Strategies Pty Ltd, which advises local and offshore companies on technology strategies and major commercial transactions.

## Board of Directors (continued)

DOMINIQUE FISHER - BA(Hons), MAICD  
NON-EXECUTIVE CHAIRMAN (continued)

She is Managing Director of Helix Digital Pty Ltd and is the Executive Chairman of CareerLounge Pty Ltd. Her past appointments have included a non-executive director of Pacific Brands Limited and membership of its Audit and Risk Committee, Chairman of Sky Technologies Pty Ltd, Councillor of the Australia Council of the Arts, and Chairman of its Dance Board, Insurance Australia Group Limited (IAG), member of the Prostate Cancer Foundation Victoria, NRMA, the Malthouse Theatre, Sydney Opera House and member of the ICT Advisory Board, advising the Federal Government on key issues affecting the development of the information technology and communications sector.

ROBERT KLUPACS - BSc(Hons), Grad Dip IP Law, MAIPA  
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Robert Klupacs joined Circadian Technologies Limited as an executive in August 2005 and was appointed as Managing Director of the Company on 1 March 2008. He is also an Executive Director of all of the Company's wholly owned subsidiaries and Chairman of subsidiary company Syngene Limited. Mr Klupacs is a registered Australian patent attorney and has been involved in the biotechnology industry for over 20 years. He has significant expertise in technology commercialisation and corporate structuring and has negotiated and closed a number of major licensing transactions with international pharmaceutical and biotechnology companies throughout his career. Prior to his position at Circadian, Mr Klupacs was CEO of ES Cell International Pte Ltd (ESI), a pioneering company in the development of human embryonic stem cell technologies based in Singapore. Prior to his role at ESI, he spent two and a half years running the Monash Institute of Reproduction and Development (MIRD) in Melbourne as its Chief Operating Officer, where he founded six start-up companies, and before that was employed for over 11 years by Zenyth Therapeutics Limited (formerly Amrad Corporation Ltd), with the last four years in that company as a member of the executive team and Director of Intellectual Property.

TINA McMECKAN - BLibArts&Sc, MBA, FAICD  
NON-EXECUTIVE DIRECTOR

Tina McMeckan was appointed a non-executive director of Circadian in January 2008 and is Chairman of the Audit and Risk Committee. Her specific skills are in the commercialisation of science and technology and the energy sector. Ms McMeckan is presently a Director of CRC for Spatial Information, SP AusNet Limited, Global Carbon Capture and Storage Institute and was the chairman of Centre for Eye Research Australia until November 2012 and Director of Metlink Pty Ltd until April 2012. She is a past member of the Funds Management Committee of the AusIndustry Research and Development Board and has held senior investment management positions with the Australian Industry Development Corporation and Amrad Corporation Ltd (acquired by CSL Limited), focusing on capital raisings for innovation-based ventures. She also has extensive board expertise in public and private utility infrastructure, including power production, networks and retailing business in the gas and electricity industries. She was formerly the Chairman of NanoVentures Australia Ltd and a member of the National Board of Norton Rose law firm. Her other appointments as a director have included United Energy, Snowy Hydro Trading, the Westar and Kinetik Energy Group, Victorian Power Exchange, Vision Cooperative Research Centre, Solaris Power and the formerly listed company Alinta Limited (October 2003 to August 2007).

## Board of Directors (continued)

DON CLARKE - LLB(Hons)  
NON-EXECUTIVE DIRECTOR

Don Clarke was appointed a non-executive director of Circadian in September 2005. He is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee. He has been a partner of the law firm Minter Ellison since 1988, having joined that firm in 1980. Mr Clarke has a broad commercial practice (involving predominantly ASX listed companies in the SME sector and larger private companies) and experience across a broad sector of industries. He is also a non-executive director of ASX listed companies Webjet Limited (appointed as a director in January 2008 and Deputy Chairman in April 2011) and Phosphagenics Limited, and a former director of Calzada Limited (formerly Metabolic Pharmaceuticals Limited).

## Corporate Governance Statement

### Introduction

The Corporate Governance framework for Circadian Technologies Limited (Circadian) and its subsidiaries (the Group) is set by the Circadian Board, having regard to compliance with legal requirements, the particular circumstances of the Group and the best interests of the shareholders.

On 2 August 2007, the Australian Securities Exchange (ASX) Corporate Governance Council released the Corporate Governance Principles and Recommendations (2<sup>nd</sup> edition) with the change in the reporting requirements applying to the Group's first financial year commencing on or after 1 July 2008. The Corporate Governance Statement details Circadian's corporate governance practices, including its compliance with the aforementioned requirements. This statement is current as at 26 August 2013 and should be read in conjunction with the Directors' Report within this annual report.

Circadian's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- |             |  |
|-------------|--|
| Principle 1 | Lay solid foundations for management and oversight |
| Principle 2 | Structure the board to add value                   |
| Principle 3 | Promote ethical and responsible decision-making    |
| Principle 4 | Safeguard integrity in financial reporting         |
| Principle 5 | Make timely and balanced disclosure                |
| Principle 6 | Respect the rights of shareholders                 |
| Principle 7 | Recognise and manage risk                          |
| Principle 8 | Remunerate fairly and responsibly                  |

## Corporate Governance Statement (continued)

Circadian's corporate governance practices were in place throughout the year ended 30 June 2012 and were fully compliant with the Council's best practice recommendations, except for the recommendation regarding the establishment of a Nomination Committee. The reason for not establishing this committee is explained in the section of this report headed "Structure of the Board".

For further information on corporate governance policies adopted by Circadian, refer to its website: [www.circadian.com.au](http://www.circadian.com.au).

### Principle 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board of Directors is in place to represent and protect the interests of the Company's shareholders. It is responsible for the corporate governance of the Group and guides and monitors the business and affairs of Circadian on behalf of its shareholders.

#### Board functions and charter

The Board Charter sets out the function and responsibilities of the Board in order to facilitate Board and management accountability for Circadian's performance and strategic direction. The matters reserved for the Board and what has been delegated to senior executives is described in the Board Charter which is available on Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board. Upon appointment of a new director, a formal letter of appointment is provided, as well as an induction pack, which includes details pertaining to the Company and the obligations of the individual acting in their capacity as a director.

The responsibility for the operation and administration of the Company is delegated by the Board to the CEO, who in turn may further delegate to senior executive management. The Board ensures that the Senior Executive Management Team (which includes the CEO) is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the senior executive management.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end, the Board has established the following committees:

- Audit and Risk (see Principle 4);
- Remuneration (see Principle 8); and
- Product Development Review (which has now ceased).

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

## Corporate Governance Statement (continued)

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

The separation of responsibilities between the Board and management is clearly understood and respected.

### Executive performance evaluation

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the executive and non-executive directors and other senior executive personnel. The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum shareholder benefit from the retention of a high-quality Board and executive team.

The non-executive directors are responsible for evaluating the performance of the Managing Director and of the other senior executives. The Managing Director also evaluates the performance of the other senior executives and other management (management). The performance evaluation of management involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are being achieved and whether long-term strategic objectives are being achieved. Specific and measurable qualitative and quantitative performance criteria are used.

Due to the nature of the Company's activities and the stage that it is at with respect to these activities, profitability is not a performance measure for short-term incentives (STIs), although effective management of the Company's resources in achieving value for shareholders is expected. Long-term incentives (LTIs) are linked to share price appreciation and key performance indicators (KPIs) for STIs are linked to activities/milestones that are expected to create value for shareholders.

## Corporate Governance Statement (continued)

The performance of the Managing Director and management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. A review of the remuneration structure for management was performed in May 2012 by the Remuneration Committee. This review was in accordance with the aforementioned process. A review of performance against KPIs occurred in July 2012 in accordance with the described policy. Further information on the Remuneration Committee can be found in the "Remuneration Report" section of the Directors' Report.

The Board Charter and the Performance Evaluation Process Policy are available from Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

### Principle 2 – STRUCTURE THE BOARD TO ADD VALUE

#### Structure of the Board

The Board as of 26 August 2013 consists of five directors, one of whom is an executive (Robert Klupacs, CEO) and four of whom are non-executives. The skills, experience and expertise relevant to the position of director held by each director in office at the date of this report are included in the Directors' Report under the section headed "Directors". Directors of Circadian are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

In the context of director independence, to be considered independent, a non-executive director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which impairs or inhibits, or has the potential to impair or inhibit, a director's exercise of judgement on behalf of the Company and its shareholders.

From a quantitative perspective, an item is considered to be quantitatively immaterial if it is equal to or less than 5% of the relevant base amount. It is considered to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the relevant base amount.

In accordance with the definition of independence above, and the materiality thresholds described, the following directors of Circadian are considered to be independent (being the majority of the directors) at the date of this report:

Name	Position
D Fisher	Chairman, non-executive director
D Clarke	Non-executive director
T McMeckan	Non-executive director

## Corporate Governance Statement (continued)

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
D Fisher	8 years
R Klupacs	5 years 6 months
D Clarke	8 years
T McMeckan	5 years 7 months

To ensure the Board is well equipped to discharge its responsibilities, it has guidelines for the nomination and selection of directors and for the operation of the Board. The existing size of the Board and the frequency of Board meetings are such that the Board's role in assisting in the appointment process can be undertaken in an efficient manner by the Board itself, without the need for a separate Nomination Committee. The Charter of the Nomination Committee has been incorporated into the Board Charter and, as such, the Board of Directors considers all matters that would be relevant for a Nomination Committee. For additional details, please refer to the Company's Board Charter on its website.

### Director's access to independent professional advice

The Board has procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

### Board and committee performance

Board and committee performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months). directors participated in an evaluation which was conducted in March 2012 of the Board's and committees' performance against specific qualitative performance criteria, some of which are measurable. The evaluation was performed with the use of questionnaires, self-evaluations and one-on-one interviews with directors and was designed to cover both the Board and also its committees. This was performed in accordance with the Company's Performance Evaluation Process policy (as contained on the Company's website). The next evaluation is planned to be performed before the end of the 2013 financial year. The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: Board structure, Board role and responsibilities, strategy and planning, monitoring of Company performance and Board culture and relationships (amongst each director and with management).

### Appointment of Directors

To be considered for membership on the Board, a candidate should meet the following criteria:

- be of proven integrity with a history of relevant achievements that reflect high standards;
- demonstrate intelligence, wisdom and thoughtfulness in decision-making that usually will be based on broad experience;
- be able and willing to commit the time and energy necessary to attend to the Company's affairs, including attending Board and Board committee meetings;

## Corporate Governance Statement (continued)

- be committed to building sound, long-term growth in the value of the Company; and
- be able to objectively review and evaluate management's performance and implementation of strategy.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case by case basis and in conformity with requirements of the ASX Listing Rules and the Corporations Act 2001. As Circadian is not a large company, a separate Nomination Committee has not been created. Appointment and retirement of directors will be in accordance with the following:

- the Board will consider from time to time changes that the Board believes to be desirable to the size of the Board or any committee thereof;
- where a Board vacancy exists (including a vacancy created by an increase in size of the Board), the Board will identify individuals believed to be qualified to become Board members to stand for election as directors at the Annual General Meeting of shareholders. In nominating candidates, the board shall take into consideration the qualifications of the candidate and the characteristics of the candidate to ensure that directors are of the highest standard. These factors may include judgement, skill, diversity, experience with businesses and other organisations of comparable size, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The Board may consider candidates proposed by management, but is not required to do so; and
- where a vacancy exists on any Board committee, the Board will appoint a director to that committee taking into consideration the factors set forth in the charter of the committee, if any, as well as any other factors it deems appropriate, including, without limitation, applicable legislative requirements, the consistency of the candidate's experience with the goals of the committee and the interplay of the candidate's experience with the experience of other committee members.

The Board is responsible for ensuring that an effective induction process is in place for new directors appointed to the Board as discussed above.

The Board Charter was reviewed and updated with minor modifications in March 2012 and can be found on Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

### Principle 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

#### Code of Conduct

The Circadian Code of Conduct as approved by the Board sets out Circadian's commitment and practices to successfully conduct our business in accordance with all applicable laws while demonstrating and promoting the highest ethical standards. It sets out the standards of conduct in employees' and directors' relationships with each other, with the employer and with all those with whom the directors and employees deal with in their work. The Code provides a framework for decision-making and business behaviour which builds and maintains Circadian's corporate integrity and reputation, and identifies responsibilities for reporting and investigating breaches. The Code applies to all employees and directors. The Code of Conduct was reviewed in March 2012 and can be found on Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

## Corporate Governance Statement (continued)

### Securities Trading Policy

The Company has in place a Securities Trading Policy which details the trading policy with respect to the buying and selling of shares by directors and relevant employees.

Under the Company's Securities Trading Policy for the buying and selling of Company securities, an executive, director or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

A Designated Officer should not deal in securities of Circadian without receiving clearance from an Approving Officer(s) who has ensured that there is no unpublished price sensitive information.

A Designated Officer means a director or person engaged in the management of the Group, whether as an employee or consultant.

An Approving Officer means:

- (a) for a Designated Officer who is not a director, the Chief Executive Officer (CEO);
- (b) for a director (except the Chairman of the Board), the Chairman of the Board and the CEO;  
and
- (c) for the Chairman of the Board, the Chairman of the Audit Committee and the CEO.

Generally, a Designated Officer must not be given clearance to deal in any securities of Circadian during:

- (a) any closed period (that is for the period of one month before the publication of annual and half-yearly financial results);
- (b) any period when there exists any matter that constitutes unpublished price sensitive information in relation to Circadian's securities; or
- (c) any period when the person responsible for the clearance otherwise has reason to believe that the proposed dealing is in breach of this policy.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company. The Securities Trading Policy was reviewed in March 2012, a copy of which is available on Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

### Diversity Policy

In April 2011, the Company established a separate Diversity Policy in accordance with Recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations. The policy was reviewed in March 2012 and a copy of the policy is available on the Company's website.

## Corporate Governance Statement (continued)

Circadian's policy is to leverage diversity through the attraction, retention and development of a diverse team of talented people in the Company at all levels, including the Board. This means using diversity to contribute to the achievement of the Company's strategic objectives and corporate goals.

The Remuneration Committee has the responsibility to, at least annually, report on the relative proportion of women and men in the workforce at all levels of the Company. Details of the Company's diversity statistics can be found in the "Remuneration Report" section of the Directors' Report.

### Principle 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### Audit and Risk Committee

The Audit and Risk Committee operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective control framework exists within the entity. This includes ensuring that there are internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit and Risk Committee.

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements. All members of the Audit and Risk Committee are independent non-executive directors. The members who served on the Audit and Risk Committee during the 2012 financial year were Ms Tina McMeckan, Ms Dominique Fisher and Mr Don Clarke.

The Audit and Risk Committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half-year statutory review. The Audit and Risk Committee Charter was reviewed in March 2012. It can be found on the Company's website ([www.circadian.com.au](http://www.circadian.com.au)) and contains the procedures for the selection, appointment and rotation of external audit engagement partners.

#### Qualifications of Audit and Risk Committee members

Ms McMeckan has chaired the Audit and Risk Committee since 21 August 2008. Her specific skills are in the commercialisation of science and technology and the energy sector. Ms McMeckan, who has an MBA, is presently a director of CRC for Spatial Information, SP AusNet Limited, Global Carbon Capture and Storage Institute and was the Chairman of Centre for Eye Research Australia until November 2012 and a director of Metlink Pty Ltd until April 2012. She is a past Member of the Funds Management Committee of the AusIndustry Research and Development Board and has held senior investment management positions with the Australian Industry Development Corporation and Amrad Corporation Ltd (acquired by CSL Limited) focusing on capital raisings for innovation-based ventures. She also has extensive board expertise in public and private utility infrastructure including power production,

## Corporate Governance Statement (continued)

networks and retailing business in the gas and electricity industries. She was formerly the Chairman of NanoVentures Australia Ltd and a Member of the National Board of Norton Rose law firm. Her other appointments as a Director have included United Energy, Snowy Hydro Trading, the Westar and Kinetik Energy Group, Victorian Power Exchange, Vision Cooperative Research Centre, Solaris Power and the formerly listed company Alinta Limited (October 2003 to August 2007).

Ms Dominique Fisher has extensive business experience in the corporate area, including the commercialisation of new technologies. She is principal and executive director of EC Strategies Pty Ltd, which advises local and overseas companies on technology strategies and major commercial transactions and Chairman of Sky Technologies Pty Ltd, Managing Director of Helix Digital Pty Ltd and is a member of the Prostate Cancer Foundation Victoria. From 2007 to 2010 she was a non-executive director of Pacific Brands Limited and was a member of its audit and risk committee. She is a former director of Insurance Australia Group (IAG) and was a member of its Risk Management and Compliance Committee from 2000 to 2004.

Mr Don Clarke has been a partner with the law firm Minter Ellison since 1988, having joined that firm in 1980. He has broad commercial practice (involving predominantly ASX listed companies in the SME sector and larger private companies) and experience across a broad sector of industries. He is also a non-executive director of listed companies Webjet Limited (appointed January 2008) and Phosphagenics Limited (appointed August 2010), and a former director of Calzada Limited (formerly Metabolic Pharmaceuticals Limited).

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the Directors' Report under the section headed "Directors' Meetings".

### Principle 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Circadian Continuous Disclosure Policy as approved by the Board sets out the key obligations of the Board and management to ensure compliance under the disclosure obligations under the ASX listing rules and the Corporations Act 2001, and ensures that the obligation of employees and directors with respect to the Continuous Disclosure Policy are clear.

The Board has overall responsibility for supervision of the Company and must ensure that the Company meets its disclosure obligations. The Board has appointed the Company Secretary as Disclosure Officer to ensure that continuous disclosure requirements of the ASX Listing Rules and the Corporations Act 2001 are adhered to.

The general rule, contained in the Listing Rules, requires the Company to immediately notify the ASX of any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of securities of the Company. In certain circumstances, however, the applicable Listing Rules permit the Company not to disclose material information.

The Continuous Disclosure Policy was reviewed in March 2012 and is available on Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

## Corporate Governance Statement (continued)

### Principle 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Circadian Communications Policy, as approved by the Board, is designed to describe the processes Circadian has in place to promote communication with its investors and encourage shareholder participation at AGM's. The policy advocates communication with shareholders and other stakeholders in an open, regular and timely manner to ensure that all stakeholders have sufficient information to make informed decisions on the operations and results of the Company. The policy provides for the use of systems involving technologies that ensure a regular and timely release of information about the Company. Mechanisms employed include:

- all information released to the ASX (including annual reports, half-yearly reports, and notices of general meetings and their associated explanatory material) is posted on Circadian's website as soon as practicable following confirmation of receipt by the ASX;
- annual reports (if requested) and notices of general meetings with explanatory material are emailed or mailed to investors; and
- briefings provided to investors and analysts, with whom Circadian acknowledges the importance of its relationship. A copy of any presentation material provided at briefings will be posted on Circadian's website.

The Communications Policy, which was reviewed in March 2012, is available on Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

### Principle 7 – RECOGNISE AND MANAGE RISK

#### Risk

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. This process is designed to manage the Company's material business risks and report on whether those risks are being managed effectively.

Material business risks are those risks which are the most significant areas of uncertainty or exposure that could adversely impact on the achievement of company objectives.

Management, as part of their responsibility for the operations of the Company, is also responsible for ensuring that risks are identified in a prospective manner, controls implemented to mitigate those risks and appropriate review procedures established to ensure that the controls in place are operating effectively. If new material risks are identified or if controls over existing risks are not operating effectively, these should be reported to the Board for consideration along with recommendations by management, covering new or existing controls and review processes, which would mitigate the risks.

## Corporate Governance Statement (continued)

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. At the Company's Audit and Risk Committee meeting held in December 2011, management presented their annual risk review. As is required by the Board, management is required to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of these controls and processes. The report was considered by the Audit and Risk Committee and noted by the Board at the Board meeting held in December 2011. Management, with the assistance of its insurance broker, undertook an annual review, in November 2011, of the Company's insurance requirements to ensure appropriate coverage.

The Board and senior management continue to identify the general areas of risk, including:

- economic outlook and share market activity;
- changing government policy (Australian and overseas);
- competitors' products/research and development programs;
- market demand and market prices for therapeutics/diagnostics;
- legal proceedings commenced against the Company (if any);
- environmental regulations;
- ethical issues relating to pharmaceutical research and development;
- other government regulations including those specifically relating to the biotechnology and health industries; and
- occupational health and safety and equal opportunity law.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

### CEO and CFO Certification

In accordance with section 295A of the Corporations Act 2001, the CEO and Chief Financial Officer (CFO) have provided a written statement to the board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control that, in all material respects, implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control systems are operating effectively in all material respects.

## Corporate Governance Statement (continued)

The Risk Management Policy, which was reviewed in March 2012, is available on Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

### Principle 8 – REMUNERATE FAIRLY AND RESPONSIBLY

#### Performance

Policies and procedures in place with respect to monitoring the performance of the Board are set out in the Directors' Report under the section headed "Remuneration Report" as well as under "Principle 2 – Structure the Board to add value" in this report. Also see details under "Remuneration Committee" below.

#### Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective the Remuneration Committee remunerates directors and executives having regard to their performance and the performance of the Company. The expected outcomes of the remuneration policies and practices are to enable the Company to motivate, retain and attract directors and executives who will create value for shareholders.

Details relating to policy for performance evaluation, policy for remuneration and the amount of remuneration (monetary and non-monetary) paid to each director and to the non-director executives are set out in the Directors' Report under the section headed "Remuneration Report".

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

At no time have any directors or management of the Company limited the risk of participating in unvested entitlements under an equity based remuneration scheme. A policy to this effect was incorporated into the Securities Trading Policy and adopted by the board on 14 September 2009. This policy can be found on the Company's website.

The members of the Remuneration Committee during the year were Mr Don Clarke (Chairman), Dr Errol Malta (until 1 October 2012), Mr Carlo Montagner (until 14 October 2011) and Ms Dominique Fisher (from 20 October 2011).

Details relating to performance evaluation are set out in the section of the Directors' Report headed "Remuneration Report". For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report under the section headed "Directors' Meetings".

The Remuneration Committee Charter, which was reviewed in March 2012, can be found on Circadian's website: [www.circadian.com.au](http://www.circadian.com.au).

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

Inside this report:

- Auditors Independence Declaration
- Consolidated Statement of Financial Position
- Consolidation Statement of Profit or Loss and Other Comprehensive Income
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes the Consolidated Financial Statements
- Directors Declaration
- Independent Audit Report

The Board of Directors  
Circadian Technologies Limited  
Suite 403, Level 4,  
650 Chapel Street  
SOUTH YARRA VIC 3000

26 August 2013

Dear Board Members

**Circadian Technologies Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Circadian Technologies Limited.

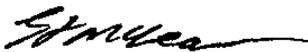
As lead audit partner for the audit of the financial statements of Circadian Technologies Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G J McLean  
Partner  
Chartered Accountants

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11	11,003,941	16,439,225
Receivables	12	2,324,016	1,656,352
Prepayments		143,554	74,155
<b>Total Current Assets</b>		<b>13,471,511</b>	<b>18,169,732</b>
<b>Non-Current Assets</b>			
Available-for-sale financial assets	13	2,280,517	3,651,785
Investments in associates	14	-	-
Deferred tax assets	9	77,385	176,581
Plant and equipment	16	82,546	106,896
Intangible assets	32	500,000	500,000
<b>Total Non-Current Assets</b>		<b>2,940,448</b>	<b>4,435,262</b>
<b>TOTAL ASSETS</b>		<b>16,411,959</b>	<b>22,604,994</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	17	1,598,782	1,937,364
Provisions	18	311,585	187,987
<b>Total Current Liabilities</b>		<b>1,910,367</b>	<b>2,125,351</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability	9	77,385	176,581
Provisions	19	65,261	106,207
<b>Total Non-Current Liabilities</b>		<b>142,646</b>	<b>282,788</b>
<b>TOTAL LIABILITIES</b>		<b>2,053,013</b>	<b>2,408,139</b>
<b>NET ASSETS</b>		<b>14,358,946</b>	<b>20,196,855</b>
<b>EQUITY</b>			
Contributed equity	20	39,453,733	39,395,603
Accumulated Losses	21	(19,243,579)	(14,488,786)
Reserves	21	(6,758,541)	(5,995,424)
<b>Equity attributable to owners of the Company</b>		<b>13,451,613</b>	<b>18,911,393</b>
Non-controlling interests	31	907,333	1,285,462
<b>TOTAL EQUITY</b>		<b>14,358,946</b>	<b>20,196,855</b>

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

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Finance revenue		530,986	975,563
Other revenue		622,701	510,270
Revenue	6	<u>1,153,687</u>	<u>1,485,832</u>
Other income	7	466,991	253,728
Research and development expenses	23	(3,436,660)	(3,595,677)
Patent expenses		(459,999)	(577,697)
Intellectual property costs		(155,512)	(963,107)
Administrative expenses	8(c)	(3,943,288)	(3,925,175)
Occupancy expenses	8(b)	(161,516)	(152,504)
Impairment losses	8(a)	(26,218)	-
Share of net profit/(loss) of associates	14(b)	-	166,073
Net foreign exchange gains/(loss)		-	-
Loss before income tax		<u>(6,562,515)</u>	<u>(7,308,526)</u>
Income tax (expense) / benefit	9	1,558,009	2,402,070
Loss for the period		<u>(5,004,506)</u>	<u>(4,906,456)</u>
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Net unrealised gains/(losses) on non-current listed investments for the period		(1,242,214)	1,227,286
NCI share of movement in investments revaluation reserve	31	(133,426)	(6,583)
Income tax on items of other comprehensive income	21	412,690	(369,477)
Other comprehensive income for the period, net of tax		<u>(962,950)</u>	<u>851,226</u>
Total comprehensive income for the period		<u>(5,967,456)</u>	<u>(4,055,230)</u>
Loss for the period is attributable to:			
Non-controlling interest	31	(249,713)	(69,203)
Owners of the parent	21	(4,754,793)	(4,837,253)
		<u>(5,004,506)</u>	<u>(4,906,456)</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(383,139)	(75,786)
Owners of the parent		(5,584,317)	(3,979,444)
		<u>(5,967,456)</u>	<u>(4,055,230)</u>
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
- Basic and diluted loss per share (cents)	10	(9.79)	(10.39)

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

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Note	Contributed equity	Asset revaluation reserve	Option reserve	Contributed capital of associate reserve	Employee equity benefits reserve	Equity reserve-parent	Unrealised gains reserve	Accumulated Losses	Attributable to owners of the parent	Non-controlling interests	Total equity	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
As at 1 July 2011	38,374,094	734,407	19	1,180,872	1,755,722	(7,172,143)	197,820	(13,246,618)	21,824,173	-	21,824,173	
Net unrealised gains on non-current listed investments for the period *	21(b)	-	-	-	-	-	868,697	-	868,697	(6,583)	862,114	
Transfer to retained earnings	21(b)	-	(734,407)	(19)	(1,180,872)	(1,679,787)	-	3,595,085	-	-	-	
Share of associates' movement in equity reserve *	14(b)	-	-	-	-	-	(10,888)	-	(10,888)	-	(10,888)	
Gain on new share issue by associate		-	-	-	-	-	-	-	-	-	-	
Loss for the year *		-	-	-	-	-	-	(4,837,253)	(4,837,253)	(69,203)	(4,906,456)	
Total comprehensive income and expense for the year		(734,407)	(19)	(1,180,872)	(1,679,787)	-	857,809	(1,242,168)	(3,979,444)	(75,786)	(4,055,230)	
Non-controlling interest arising on acquisition of Syngene Limited		-	-	-	-	-	-	-	-	1,361,248	1,361,248	
Issue of ordinary shares under private placement	20	1,021,509	-	-	-	-	-	-	1,021,509	-	1,021,509	
Cost of share-based payment	21(b)	-	-	-	-	45,155	-	-	45,155	-	45,155	
Disposal of subsidiary which had non-controlling interests		-	-	-	-	-	-	-	-	-	-	
Balance at 30 June 2012		39,395,603	-	-	-	121,090	(7,172,143)	1,055,629	(14,488,786)	18,911,393	1,285,462	20,196,855
As at 1 July 2012		39,395,603	-	-	-	121,090	(7,172,143)	1,055,629	(14,488,786)	18,911,393	1,285,462	20,196,855
Net unrealised gains on non-current listed investments for the period*	21(b)	-	-	-	-	-	(829,524)	-	(829,524)	(133,426)	(962,950)	
Transfer to retained earnings	21(b)	-	-	-	-	-	-	-	-	-	-	
Share of associates' movement in equity reserve *	14(b)	-	-	-	-	-	-	-	-	-	-	
Loss for the year *		-	-	-	-	-	-	(4,754,793)	(4,754,793)	(249,713)	(5,004,506)	
Total comprehensive income and expense for the period		-	-	-	-	-	(829,524)	(4,754,793)	(5,584,317)	(383,139)	(5,967,456)	
Changes in controlling interest due to share issue		-	-	-	-	-	-	-	-	5,010	5,010	
Issue of ordinary shares under private placement	20	58,130	-	-	-	-	-	-	58,130	-	58,130	
Cost of share-based payment	21(b)	-	-	-	-	66,407	-	-	66,407	-	66,407	
Balance at 30 June 2013		39,453,733	-	-	-	187,497	(7,172,143)	226,105	(19,243,579)	13,451,613	907,333	14,358,946

\* Amounts are after tax

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

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
Cash flows from operating activities:		
Interest received	630,989	921,214
Royalty and licence income received	615,876	528,636
Grant income	13,500	134,524
Sales of Reagents	5,481	-
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)	(8,202,698)	(9,337,688)
Income tax paid	-	(43,390)
Income tax refund	1,323,856	622,800
Net cash flows used in operating activities	22(b) <u>(5,612,996)</u>	<u>(7,173,904)</u>
Cash flows from investing activities:		
Acquisition of financial investments	(370,199)	(310,737)
Proceeds from sale of investments	606,144	49,169
Purchase of plant and equipment	(2,989)	(38,497)
Net cash inflow on acquisition of subsidiaries	33 -	701,085
Other dividends received	-	1,500
Net cash flows provided by investing activities	<u>232,957</u>	<u>402,520</u>
Proceeds from issue of shares	-	1,021,510
Net cash flows provided by financing activities:	<u>-</u>	<u>1,021,510</u>
Net decrease in cash and cash equivalents	(5,380,040)	(5,749,874)
Net foreign exchange differences	(55,244)	84,685
Cash and cash equivalents at beginning of year	16,439,225	22,104,414
Cash and cash equivalents at end of year	11 <u>11,003,941</u>	<u>16,439,225</u>

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

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. CORPORATE INFORMATION

The consolidated financial report of Circadian Technologies Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 26 August 2013.

Circadian Technologies Limited (the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Circadian also operates an American Depositary Receipt (ADR) program where one ADR is the equivalent of 5 shares. ADRs are publicly traded on the QTCQX in the United States of America.

The nature of the operations and principal activities of the Group are described in the Directors' report.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investments classified as available-for-sale, which have been carried at fair value and investment in associate, which has been equity accounted for. These accounting policies have been consistently applied throughout the Group.

The financial report is presented in Australian dollars.

#### (a) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

#### (b) New accounting standards and interpretations

##### (i) Standards affecting presentation and disclosure

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section (ii) below.

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011 -9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
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# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### (i) Standards affecting presentation and disclosure (continued)

Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.
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### (ii) Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

### (iii) Standards and interpretations in issue not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2013, are outlined in the table below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (iii) Standards and interpretations in issue not yet adopted (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the year ending
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Circadian Technologies Limited and its controlled entities (as outlined in note 24) as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group (see note (k) below).

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

Controlled entities are those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits over their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation are also consolidated.

The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

On 8 February 2012, Syngene became a subsidiary of Circadian. During the year an additional 100,000 shares were issued by Syngene Limited. The Group owns 51.54% of Syngene Limited as at 30 June 2013.

Therefore, non-controlling interest represents the portion of net profit/loss after tax and net assets in Syngene Limited, which is not attributable to the Group, and is presented separately as an item in the statement of comprehensive income and within equity in the consolidated statement of financial position. Refer note (i) below for acquisition of non-controlling interests.

#### (d) Foreign currency translation

##### (i) Functional and presentation currency

Both the functional and presentation currency of Circadian Technologies Limited and its Australian subsidiaries is Australian dollars (\$). The Finland subsidiary, which was incorporated during the previous financial year, and has not made any transactions and is in the process of being closed. Refer note 24(a).

##### (ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (e) Cash and cash equivalents - refer note 11

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### (f) Current receivables - refer note 12

Receivables generally comprise bank interest receivable, other receivable from external parties and GST credits receivable, and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The amounts are usually received within 30-60 days of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

#### (g) Investments and other financial assets - refer note 13

Investments and financial assets are classified as available-for-sale investments, or loans and receivables as appropriate, in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

#### Recognition and derecognition

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### Subsequent measurement

##### (i) Available-for-sale investments - refer note 13

Available-for-sale investments comprise of the Group's non-current investments in listed companies. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method and have been calculated by discounting the principal amounts over the relevant term using the relevant LIBOR rate which matches that term as closely as possible. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Non-current receivables comprise loans receivable from subsidiaries which are not interest bearing. The parent has agreed that the loans with its subsidiaries will not be recalled for a period of 12 months from the date the directors adopt the relevant annual financial statements of the Group, parent and subsidiaries.

##### (h) Impairment of financial assets

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

##### (i) Available-for-sale investments - refer note 13

If there is objective evidence (i.e. significant or prolonged decline in quoted market bid prices) that an available-for-sale investment is impaired, an amount comprising of the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from equity to profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised.

##### (ii) Financial assets carried at amortised cost

Loans receivable from subsidiaries in the parent's accounts are financial assets carried at amortised cost. If there is objective evidence that an impairment loss on intercompany loans receivable carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

The Group firstly assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and secondly individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the cumulative impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

#### (i) Acquisition of non-controlling interests - premium on acquisition - refer note 21(b)(vi)

The premium paid on the acquisition of the non-controlling interests is measured at the excess of the consideration paid over the Group's interest in the net assets acquired from the acquiree on the date of the acquisition. The premium is treated as an equity transaction and recognised in the "Equity reserve attributable to parent" account.

#### (j) Investments in subsidiaries - refer note 24

Investments in subsidiaries are carried at cost. If there is objective evidence that an impairment loss has been incurred on investments in subsidiaries, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Any subsequent reversal of an impairment loss is recognised in profit or loss.

#### (k) Investments in associates - refer note 14

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investments in the associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. Impairment loss arises where the carrying value of the investment exceeds its recoverable amount. Where the investment in associate is a listed investment, the recoverable amount is the quoted market bid price for that asset at balance date. The amount of impairment loss is the difference between the recoverable amount and carrying value.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

Where the investment is an unquoted investment, such as Syngene Limited, the amount of the loss is recognised in profit or loss and its share of post-acquisition movements in equity and reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. This was the case until 8 February 2012 when Syngene Limited became a subsidiary.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

#### Cessation of equity accounting

Upon cessation of equity accounting, the Group recognises in profit or loss, any difference between the fair value of the retained investment and proceeds from disposing of the part interest and the carrying value of the investment at the date in which significant influence is lost.

#### (l) Interest in a jointly controlled operation

The Group enters into agreements with universities and research institutes for pharmaceutical research and development projects which are considered "joint venture" arrangements. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity (normally pharmaceutical research and development projects) which are considered "joint venture" arrangements that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interests in jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

#### (m) Plant and equipment - refer note 16

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over their useful economic lives as follows:

- Equipment and furniture - 3 to 10 years
- Leasehold improvements - 8 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### Derecognition

An item of plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (n) Leases - refer note 8

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

The Group held no finance leases during the 2013 and 2012 financial years.

#### (o) Impairment of non-financial assets other than goodwill - refer note 15

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the policy relating to impairment regarding investments in associates, see note 2(k) above.

Circadian Technologies Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflow from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

#### (p) Intangible assets

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

#### (q) Intellectual property costs

Amounts incurred for rights to or for acquisition of intellectual property are expensed in the year in which they are incurred to the extent that such intellectual property is used for research and development activities.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (r) Research and development costs - refer note 23

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an internal project will only be recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

#### (s) Payables - refer note 17

Payables are carried at amortised cost and due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (t) Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

The parent's non-current payables include loans from subsidiaries which are not interest bearing. The relevant subsidiaries have agreed that the loans to the parent will not be recalled for a period of 12 months from the date

the directors adopt the annual financial statements of the parent. Loans payable to subsidiaries in the parent's accounts are financial liabilities carried at amortised cost.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### Borrowing costs

Borrowing costs are recognised as an expense when incurred.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (u) Provisions and employee benefits - refer notes 8, 18 and 19

##### (i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

##### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on National government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### (v) Share-based payment transactions - refer to note 26

##### Equity settled transactions:

The Group provides benefits to employees (including key management personnel) of the Group in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans that provide these benefits to employees: the Employee Share Option Plan and a Conditional Rights Scheme. The Conditional Rights Scheme was introduced on 4 March 2011 and replaces the

Employee Share Option Plan. No more share options will be issued under the Employee Share Option Plan after this date.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer. A binomial model, the Monte Carlo simulation or Hull model, as appropriate, are used to value the options issued.

In valuing transactions settled by way of issue of options, no account is taken of any performance (or vesting) conditions, other than conditions linked to the price of the shares of Circadian Technologies Limited (market conditions).

The cost of the equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

At each subsequent report date until vesting, the cumulative charge to profit or loss is the product of:

- (i) the grant date fair value of the award
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period; and
- (iii) the expired portion of the vesting period.

The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are met.

Where the terms of the equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. There is, however no dilutive effect when there is a loss per share.

#### (w) Contributed equity - refer note 20

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.

#### (x) Revenue recognition - refer note 6

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Interest revenue

Almost all of the Group's interest revenue is earned on short-term bank deposits and as such interest revenue is recognised when the Group's right to receive the payment is established.

##### (ii) Royalty fee and licence fee revenue

Royalty fee and licence fee revenue is recognised when earned.

##### (iii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (y) Income tax - refer note 9

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associate or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets (or credits) and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in profit or loss.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### Tax consolidation legislation

The head entity, Circadian Technologies Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. Members of the tax consolidated group have adopted the "separate taxpayer within group" method to allocate the current and deferred tax amounts to each entity within the Group. This method requires adjustments for transactions and events occurring within the tax consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

In addition to its own current and deferred tax amounts, Circadian Technologies Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The head entity, which is the parent entity, in assuming the net unused tax losses and unused relevant tax credits, has recognised reductions to investments in subsidiaries and where the amount of tax losses assumed is in excess of the carrying value of the investment, the parent has recognised the difference as a distribution from subsidiary in profit or loss.

#### (z) Other taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (aa) Government grants - refer note 7

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### (ab) Earnings per share - refer note 10

Diluted earnings per share is calculated as net profit/loss divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. The share options are not dilutive as their respective exercise prices are in excess of the share price at year end. Whilst the deferred shares would generally be included in the calculation as their conditions of issuance are known to be satisfied, due to there being a loss for the current year,

these instruments would be anti-dilutive (decrease the loss per share). Accordingly they have been excluded from the calculation, resulting in basic earnings/(loss) per share being the same as the diluted value per share.

### (ac) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets comprise cash, receivables, short-term deposits and financial investments.

The Group (including the Parent) manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management practices. The objective is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group's other various financial assets and liabilities, such as receivables and payables, arise directly from its operations. The main risks arising from the Group's financial assets and liabilities are interest rate risk, foreign currency risk, equity securities price risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange rates. Liquidity risk is monitored through future rolling cash flow forecasts.

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

### Risk exposures and responses

The Group has investigated the main financial risk areas which could impact on its financial assets and determined the impact on post tax (losses) or profits for a range of sensitivities. These can be seen in the post tax (loss)/profit impact for each risk area.

For each risk area, the equity impact relates solely to reserve movements and excludes retained earnings movements as the impact of these can be seen within the post tax (loss)/profit impact.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (i) Interest rate risk

The Group's exposure to market interest rates relates primarily to the short-term deposits. The deposits are held with one of Australia's largest banks.

The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rates that might impact its interest revenue and cash flow. To manage interest rate risk, the Group invests the majority of its cash in short-term deposits for varying periods of between 30 days and 90 days, depending on the short and long-term cash requirements of the Group which is determined based on the Group's cash flow forecast. This consideration also takes into account the costs associated with recalling a term deposit should early access to cash and cash equivalents be required. Cash is not locked into long-term deposits at fixed rates so as to mitigate the risk of earning interest below the current floating rate.

The Group does not have any borrowings.

The following sensitivity analysis (an annual effect) is based on the interest rate risk exposures in existence at balance date.

As at 30 June 2013, given that the interest risk associated with the Group and parent relates solely to interest income (the Group has no third party borrowings), if interest rates moved, with all variables held constant, post tax (loss)/profit and equity would have been affected as illustrated in the following table:

Judgements of reasonably possible movements:	Post tax (loss)/profit impact		Equity impact	
	2013	2012	2013	2012
	\$	\$	\$	\$
Consolidated				
+ 0.50% (50 basis points) (2013: + 0.50%)	42,500	72,592	-	-
- 0.50% (50 basis points) (2013: - 0.50%)	(42,500)	(72,592)	-	-

Given the amount of unrecognised tax losses in existence, the post tax figures include an offset of these tax losses (bringing the tax effect to nil) for the year ended 30 June 2013 (2012: Nil)

Significant assumptions used in the interest rate sensitivity analysis include:

- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (ii) Price risk

The Group's investment in listed shares is exposed to equity securities price risk and as such their fair values are exposed to fluctuations as a result of changes in market prices.

Equity price risk is the risk that the fair value of equities will decrease as a result of share price movements. The Group's equity investments are publicly traded on the ASX and are designated and accounted for as "available-for-sale" financial assets (except for those which are recognised as associates).

The investments in listed shares are not held for short-term trading. Their values are reviewed regularly by management and the board. The strategy for realising any part of these investments is determined based on the liquidity of the respective stocks, potential off-market acquirers and likely developments in their values based on publicly available information.

At 30 June 2013, had the share price moved with all other variables held constant, post tax (loss)/profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements:	Impact on loss after tax	Impact on equity after tax	Impact on loss after tax	Impact on equity after tax
	2013	2013	2012	2012
	\$	\$	\$	\$
Consolidated				
Change in variables				
10% increase in listed share price	-	159,636	-	255,413
10% decrease in listed share price	-	(159,636)	-	(255,413)

#### (iii) Foreign currency risk

As a result of services predominantly provided by non-related entities in the United States, United Kingdom and Europe, part of the Group's financial assets and liabilities are affected by movements in the US\$ / A\$ exchange rate, the Euro / A\$ exchange rate and GBP / A\$ exchange rate.

The Group does not enter into any hedging transactions.

As at reporting date, the Group has the following exposure to foreign currencies:

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

2013	Consolidated		
	USD	EURO	GBP
	2013	2013	2013
	\$	\$	\$
Financial assets			
Cash	1,205,398	-	31,118
Receivables	122,691	5,104	-
Financial liabilities			
Payables	(368,658)	(11,316)	(151,515)
Net exposure	959,431	(6,212)	(120,397)
2012	Consolidated		
	USD	EURO	GBP
	2012	2012	2012
	\$	\$	\$
Financial assets			
Cash	2,148,205	-	10,675
Receivables	35,774	1,857	-
Financial liabilities			
Payables	(786,468)	(202,983)	(39,399)
Net exposure	1,397,511	(201,126)	(28,724)

The following sensitivity is based on the foreign currency risk exposures in existence at balance date.

At 30 June 2013, had the Australian dollar moved with all other variables held constant, post tax (loss) profit and equity would have been affected as illustrated in the table below:

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Judgements of reasonably possible movements:	Post tax (loss)/profit impact		Equity impact	
	2013	2012	2013	2012
	\$	\$	\$	\$
Consolidated				
AUD/USD +5%	(45,687)	(66,548)	-	-
AUD/USD -10%	106,603	155,279	-	-
AUD/Euro +5%	296	9,577	-	-
AUD/Euro -10%	(690)	(22,347)	-	-
AUD/GBP +5%	5,733	1,368	-	-
AUD/GBP -10%	(13,377)	(3,192)	-	-

The reasonably possible movements at 30 June 2013 are less than at 30 June 2012 due to the lower net exposure to the US dollar. There was minimum or insignificant exposure to the GBP during the current financial year.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- The reasonably possible movement of 5% was calculated by taking the USD, EUR and GBP spot rates as at balance date, moving these by 5% and 10% and then re-converting the USD, EUR and GBP into AUD with the "new-spot-rate". This methodology reflects the translation methodology undertaken by the Group.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

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

#### (iv) Credit risk

Credit risk is associated with those financial assets of the Group which comprise cash and cash equivalents and listed investments. The Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these investments. Credit risk is considered minimal as the Group transacts with a reputable recognised third party (the Commonwealth Bank of Australia).

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (v) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. The Group has minimal liquidity risk because of the high balances of cash and cash equivalents; however the Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The Group's objective is to maintain an appropriate cash asset balance to fund its operations.

#### (vi) Fair value

The Group has investments in listed equities which are calculated using the quoted prices in an active market. These investments are classified as falling into level 1 hierarchy per AASB 7 Financial Instruments: Disclosure. The Group does not have any derivative investments (level 2 hierarchy) where the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices). The Group also does not hold any financial instruments that fall into level 3. Level 3 fair value measurement uses observable inputs that require significant adjustments based on observable inputs to estimate its value.

Details of the fair value of the investments in listed equities are disclosed in note 13(a) of the financial statements.

The methods for estimating fair value are also outlined in the relevant notes to the financial statements.

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

#### (i) Significant accounting judgements

##### Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

No development costs were capitalised during the current year.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### Impairment of available-for-sale assets

The Group holds available-for-sale financial assets and follows the requirements of AASB 139 Financial Instruments: Recognition and Measurement in determining when an available-for-sale asset is impaired. For the year ended 30 June 2013, losses of \$26,218 have been booked for available-for-sale financial assets.

#### Taxation

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

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future operating costs, capital expenditure and the possible timing of realising capital gains taxes/losses.

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

#### Carrying value of investment in subsidiary

The judgement with respect to the carrying value of the investment in Vegenic Pty Ltd has been made through assessing the progress of the research and development activities against the milestones which were established for these activities. In undertaking the impairment test with respect to this investment, the Company assessed that the development milestones are being achieved in the timeframes expected, therefore the Company does not consider its investment is impaired. A detailed summary of progress of the Group's research and development activities and discussion of the Company's achievements and plans over the next 12 months is contained within the Operating and Financial Review contained in the Directors Report.

#### (ii) Significant accounting estimates and assumptions

##### Valuation of investments

The Group has classified investments in listed securities as 'available-for-sale' investments and movements in fair value are recognised directly in equity, unless considered impaired. The fair value of listed shares has been determined by reference to published price quotations in an active market.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a binomial model. The related assumptions are detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

### 5. SEGMENT INFORMATION

The consolidated entity operates predominantly in one industry and one geographical segment, those being the medical technology and healthcare industry and Australia respectively.

The Group is a biologics drug developer building on its significant intellectual property portfolio around Vascular Endothelial Growth Factor (VEGF) C and D (angiogenic molecules) and R3. The Group is focused primarily on developing biological therapeutics for cancer and other serious diseases.

The objective is to generate value by undertaking pre-clinical and early human clinical development and partnering with pharmaceutical companies the further development of major therapeutic indications while retaining rights to selected indications.

The chief operating decision maker regularly reviews entity wide information that is compliant with Australian Accounting Standards. There is only one segment for segment reporting purposes and the information reviewed by the chief operating decision maker is the same as the information presented in the statement of financial position, statement of comprehensive income and statement of cash flows.

### 6. REVENUE

	2013	2012
	\$	\$
(a) Finance revenue		
Interest from:		
- Bank	527,734	973,597
- Other unrelated persons	3,252	1,965
	<u>530,986</u>	<u>975,563</u>
(b) Other revenue		
Royalties and licence fees	622,701	510,270
Total Revenue	<u>1,153,687</u>	<u>1,485,832</u>

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 7. OTHER INCOME

	2013 \$	2012 \$
Net discount on acquisition due to Syngene Limited becoming a subsidiary (i)	-	13,719
Dividends from equity investments	-	1,500
Government grant income	13,500	133,674
Net gain on disposal of available-for-sale investments	149,834	-
Net foreign exchange gains	284,777	57,723
Other	18,880	47,112
	<u>466,991</u>	<u>253,728</u>

(i) The net impact due to the acquisition of Syngene Limited and ceasing to be equity accounted.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 8. EXPENSES

	2013	2012
	\$	\$
(a) Impairment losses		
Listed financial investments	26,218	-
	<u>26,218</u>	<u>-</u>
(b) Occupancy expenses		
- Operating lease rentals	122,836	112,408
- Outgoings	38,680	40,096
Total occupancy expense	<u>161,516</u>	<u>152,504</u>
(c) Administrative expenses		
Included in administrative expenses are:		
- Depreciation of:		
Equipment and furniture (note 16)	27,051	28,289
Leasehold improvements (note 16)	289	290
Total depreciation expense	<u>27,340</u>	<u>28,579</u>
- Loss on sale of available-for-sale investments	-	9,762
- Employee benefits expense:		
Salaries and fees	2,084,947	2,078,891
Cash bonuses	12,829	249,859
Superannuation	197,350	214,529
Share-based payments expense (note 26)	66,407	45,155
Other employee benefits expense	90,021	54,566
Total employee benefits expense	<u>2,451,554</u>	<u>2,643,001</u>
- Other administrative expenses		
- Travel expenses	113,803	125,960
- Insurance	94,615	88,262
- Consultancy fees	206,321	98,100
- Legal fees	83,351	37,127
- Payroll tax	93,643	114,105
- Investor relation and share registry related costs	248,961	331,924
- Audit and accounting	161,650	125,763
- Other expenses	462,050	322,592
Total other administrative expenses	<u>1,464,394</u>	<u>1,243,832</u>
Total administrative expenses	<u>3,943,288</u>	<u>3,925,175</u>

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 9. INCOME TAX

(a) Income Tax Benefit	2013	2012
	\$	\$

The major components of income tax benefit are:

#### Statement of Comprehensive Income

##### Current income tax

Current income tax credit	(1,960,206)	(1,409,793)
Refund of Research and Development Tax Credit (i)	-	(622,800)
Adjustments in respect of tax losses of previous years	(10,493)	-

##### Deferred income tax

Relating to revaluation of listed investments to fair value	412,690	(369,477)
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Income tax benefit reported in the statement of comprehensive income

<u>(1,558,009)</u>	<u>(2,402,070)</u>
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(i) Following the lodgement of income tax return for 30 June 2011, the Group recognised an income tax benefit of \$622,800 which relates to the research and development tax offset allowable on research and development expenditure undertaken within Australia. In the current year due to the implementation of the R&D tax incentive the Group expects to recover \$1,960,206 (2012: \$1,409,793) for R&D tax incentives once the income tax return is lodged for 30 June 2013.

(b) Amounts charged or credited directly to equity	2013	2012
	\$	\$

Deferred income tax related to items charged (credited) directly to equity

Net unrealised gain/(loss) on listed investments (i)	(412,690)	369,477
Income tax benefit reported in equity	<u>(412,690)</u>	<u>369,477</u>

(i) Deferred tax movements were recognised with respect to unrealised gains and losses on listed investments in Antisense Therapeutics Limited, \$244,576 and Optiscan Imaging Limited, \$49,711 plus movements in other minor holdings by Syngene Limited \$118,403.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2013 \$	2012 \$
Accounting loss before tax	<u>(6,562,515)</u>	<u>(7,308,526)</u>
At the parent entity's statutory income tax rate of 30% (2012: 30%)	(1,968,755)	(2,192,558)
Research and development tax credit refundable	(1,960,206)	(1,392,581)
Write off of temporary differences and tax losses not recovered	2,381,445	-
Adjustments recognised in current year in relation to the current tax of prior year	(10,493)	-
Unrecognised unrealised and realised tax assets	-	4,693,030
Refund of Research and Development Tax Credit	-	(622,800)
Increase in deferred tax assets due to temporary differences	-	(3,421,561)
(Decrease)/increase in deferred tax liabilities due to temporary differences	-	(621,777)
Expenditure not allowable for income tax purposes	-	1,027,655
Income (not assessable)/assessable for income tax purposes	-	133,141
Difference between tax gain/loss and accounting gain/loss on disposal of investments - non-assessable	-	(4,619)
Income tax expense reported in the statement of comprehensive income	<u>(1,558,009)</u>	<u>(2,402,070)</u>

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

	2013	2012
	\$	\$
(d) Recognised deferred tax assets and liabilities in statement of financial position		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities:		
Revaluation of listed investments to fair value	(14,225)	(128,645)
Interest and royalty income receivable (future assessable income)	(63,160)	(47,936)
	<u>(77,385)</u>	<u>(176,581)</u>
Deferred tax assets:		
Tax losses	-	-
Income received in advance	-	60,379
Employee provisions (i)	77,385	88,258
Future allowable deductions/income not assessable	-	27,944
	<u>77,385</u>	<u>176,581</u>

(i) Recognised only to the extent that there are temporary differences to offset

(e) Recognised deferred tax expense in statement of comprehensive income	2013	2012
Deferred income tax at 30 June relates to the following:	\$	\$
Tax Losses	-	-
Revaluation of listed investments to fair value	(412,690)	369,477
Income received in advance	-	5,334
Temporary difference for investment in associate	-	78,802
Interest and royalty income receivable (future assessable income)	(15,224)	(17,411)
Employee provisions	(10,873)	13,378
Future allowable deductions/income not assessable	-	(31,572)
Derecognition of deferred tax assets due to probability test	26,097	(48,531)
Deferred tax expenses	<u>(412,690)</u>	<u>369,477</u>

(f) Unrecognised temporary differences

Temporary differences with respect to deferred tax assets associated with investments, intellectual property and other miscellaneous items which have a low probability of realisation are unrecognised. These amounted to \$3,238,863 at year end (2012: \$3,365,754).

(g) Tax consolidation

(i) Members of the tax consolidated group

Circadian Technologies Limited and its 100% owned subsidiaries formed a tax consolidated group effective 1 July 2003. Circadian Technologies Limited is the head entity of the tax consolidated group.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### (ii) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have adopted the "separate taxpayer within group" method to allocate the current and deferred tax amounts to each entity within the Group. For details with respect to this method, see accounting policy note 2(y).

### (h) Carry forward unrecognised tax losses

The Group had income tax losses of \$11,826,085 and capital losses of \$877,704 at year end (2012: income tax losses of \$10,887,936 and capital losses of \$877,704 for which no deferred tax asset is recognised on the statement of financial position as they are currently not considered probable of realisation. These tax losses are available indefinitely for offset against future assessable income subject to continuing to meet relevant statutory tests.

### (i) Franking credit balance

The franking account balance at the end of the financial year at 30% is \$330,630 (2012: \$330,630), which represents the amount of franking credits available for the subsequent financial year.

## 10. EARNINGS PER SHARE

	2013 \$	2012 \$
The following reflects the income used in the basic and diluted earnings per share		
(a) Earnings used in calculating earnings per share		
Net loss attributable to ordinary equity holders of the parent	<u>(4,754,793)</u>	<u>(4,837,253)</u>
(b) Weighted average number of shares		
Weighted average number of ordinary shares on issue for basic earnings per share	48,588,214	46,539,326
Effect of dilution:		
Conditional rights	-	-
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>48,588,214</u>	<u>46,539,326</u>

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of this financial report.

Diluted earnings per share is calculated as net profit/(loss) divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. The share options in place are not dilutive as their respective exercise prices are in excess of the share price at year end. Although the conditional rights would generally be included in the calculation due to the conditions of the issuance being satisfied, because there is a loss in the current year, these instruments would be anti-dilutive (decrease the loss per share) and therefore have been excluded from the calculation. Therefore, the basic loss per share is the same as the diluted value per share.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### (c) Information on the classification of securities

Options and conditional rights granted to employees (including key management personnel) as described in note 26 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

### 11. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2013	2012
	\$	\$
Cash at bank and in hand	2,503,941	3,889,225
Short-term deposits	8,500,000	12,550,000
	<u>11,003,941</u>	<u>16,439,225</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short term-deposits are with a major bank and are made for varying periods of between 30 days and 90 days, depending on the immediate cash requirements of the Group, and earn interest at a fixed rate for the respective short-term deposit periods. At year end, the average rate was 4.37% (2012: 5.21%).

### 12. CURRENT ASSETS - RECEIVABLES

	2013	2012
	\$	\$
Interest receivable	27,493	127,496
Royalty income receivable (i)	44,111	37,286
GST receivable (i)	54,400	48,970
Other (i)	237,806	50,019
Current tax asset (ii)	1,960,206	1,392,581
Total current receivables	<u>2,324,016</u>	<u>1,656,352</u>

(i) These receivables are non-interest bearing, most of which have repayment terms between 30 and 60 days. There are no receivables past due or considered impaired.

(ii) Current tax assets relates to the balance accrued in relation to the R&D tax incentive introduced by the Australian government effective 1 July 2012.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (a) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables.

#### (b) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 3.

### 13. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 \$	2012 \$
Listed Australian shares - at fair value	<u>2,280,517</u>	<u>3,651,785</u>

#### (a) Details of listed Australian shares

	Ownership interest		Fair value (i)		Cost of investment	
	2013 %	2012 %	2013 \$	2012 \$	2013 \$	2012 \$
Listed investments						
Non-current investments:						
Antisense Therapeutics Ltd	10.33	11.40	1,488,158	2,596,485	3,578,074	3,512,998
Optiscan Imaging Limited	5.16	5.99	585,601	776,624	824,847	818,202
Other listed investments held in Syngene Ltd less than 1% interest			206,758	278,676	347,926	356,370
Total listed investments			<u>2,280,517</u>	<u>3,651,785</u>	<u>4,750,847</u>	<u>4,687,570</u>

Non-current investments in listed shares (which are not associates) are designated and accounted for as "available-for-sale" financial assets pursuant to AASB 139 Financial Instruments: Recognition and Measurement.

These non-current investments in listed shares consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(i) The fair value represents the share (bid) price at year end, and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments. The capital gains tax that may be applicable on the disposal of these investments is included in the investments revaluation reserve.

#### (b) Details of investments in subsidiaries

Details of the investments in subsidiaries are fully disclosed in note 24 (a).

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 14. NON-CURRENT ASSETS - INVESTMENTS IN ASSOCIATES

#### (a) Investment details

Name and Principal Activities	Ownership interest		Carrying amount	
	2013	2012	2013	2012
	%	%	\$	\$

#### Unlisted:

Syngene Limited - Technology Developments	0	0	-	-
---	---	---	---	---

The Group's proportion of voting power held in this associate was the same as its ownership interest. The Group's investment in the associate is accounted for in accordance with the accounting policy described in note 2(k).

Syngene Limited is an unlisted public company and is incorporated in Australia. Due to a rights issue in which the Group took up its rights, Syngene has ceased to be an associated entity of the Group and has been consolidated effective 8 February 2012. Refer to note 33.

2013	2012
\$	\$

#### (b) Movements in the carrying amounts of the Group's investments in associates

##### Syngene Limited:

At 1 July	-	493,431
Share of profit after income tax to 8 February 2012 (i)	-	37,613
Share of net unrealised gain/(loss) on listed investment to 8 February 2012 (i)	-	128,460
Transferred to investment in subsidiary due to gaining control of Syngene Limited (i)	-	(659,504)
At 30 June	-	-

(i) The Group's share of the profit after income tax was equity accounted until 8 February 2012 after when Syngene became a subsidiary. The Group's share of the net unrealised gain on listed investment represents Syngene's 3.35% (2012: 3.35%) investment in Antisense Therapeutics Limited. The movement in the fair value of this investment during the year is recognised in the net unrealised gains reserve account (see note 21(b)(iv)).

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 15. PARENT ENTITY INFORMATION

	2013	2012
	\$	\$
(a) Information relating to Circadian Technologies Limited:		
Current assets	9,433,017	13,760,038
Non current assets	63,242,685	48,642,764
Total assets	<u>72,675,702</u>	<u>62,402,802</u>
Current liabilities	486,335	756,189
Non current liabilities	27,337,710	714,330
Total liabilities	<u>27,824,045</u>	<u>1,470,519</u>
Net assets	<u>44,851,657</u>	<u>60,932,283</u>
Issued capital	39,453,733	39,395,603
Retained earnings	5,048,432	21,137,603
Asset revaluation reserve	-	-
Option reserve	-	-
Employee equity benefits reserve	187,497	121,090
Net unrealised gains reserve	161,995	277,987
Total shareholders' equity	<u>44,851,657</u>	<u>60,932,283</u>
Loss of the parent entity	<u>(16,089,171)</u>	<u>(424,759)</u>
Other comprehensive income/(expense)	<u>(115,992)</u>	<u>162,390</u>
Total comprehensive loss of the parent entity	<u>(16,205,163)</u>	<u>(262,369)</u>

#### (b) Parent entity contractual commitments for acquisition of property, plant and equipment

The parent entity does not have any contractual commitments for the acquisition of property, plant and equipment for the year ended 30 June 2013 (2012: Nil).

#### (c) Parent entity contingent liabilities

The parent entity has no (2012: \$128,000) contingent liabilities for the year ended 30 June 2013.

#### (d) Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has provided a written guarantee to all its controlled entities that it will continue to provide sufficient funds to enable them to meet their commitments and contingencies for the next twelve months. These controlled entities are disclosed in note 24(a).

#### (e) Impairment of investments in subsidiaries

There was an impairment of investments in the subsidiaries of the Company of \$16,238,409 during the 2013 financial year (2012: \$181,986). See note 24(a).

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 16. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2013	2012
	\$	\$
Equipment and furniture at cost		
Opening balance	254,405	238,087
Additions	2,990	38,497
Disposals	-	(22,179)
Closing balance	<u>257,395</u>	<u>254,405</u>
Accumulated depreciation		
Opening balance	(152,259)	(145,622)
Depreciation for the year	(27,051)	(28,289)
Disposals	-	21,652
Closing balance	<u>(179,310)</u>	<u>(152,259)</u>
Net carrying amount	<u>78,085</u>	<u>102,146</u>
Leasehold improvements at cost		
Opening balance	79,478	79,478
Additions	-	-
Closing balance	<u>79,478</u>	<u>79,478</u>
Accumulated depreciation		
Opening balance	(74,728)	(74,438)
Depreciation for the year	(289)	(290)
Closing balance	<u>(75,017)</u>	<u>(74,728)</u>
Net carrying amount	<u>4,461</u>	<u>4,750</u>
Total plant and equipment, net	<u>82,546</u>	<u>106,896</u>

#### 17. CURRENT LIABILITIES – PAYABLES

	2013	2012
	\$	\$
Creditors (unsecured) (i)	1,343,198	1,677,873
Income received in advance	198,640	201,262
PAYG tax liability	56,649	57,245
Withholding tax payable	295	984
	<u>1,598,782</u>	<u>1,937,364</u>

(i) Creditors are non-interest bearing and are normally settled on 30 day terms.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

#### 18. CURRENT LIABILITIES – PROVISIONS

	2013	2012
	\$	\$
Annual leave	232,266	187,987
Long service leave	79,319	-
	<u>311,585</u>	<u>187,987</u>

#### 19. NON-CURRENT LIABILITIES - PROVISIONS

	2013	2012
	\$	\$
Long service leave	<u>65,261</u>	<u>106,207</u>

Refer to note 2(u) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

#### 20. CONTRIBUTED EQUITY

	2013	2012
	\$	\$
(a) Ordinary shares		
Issued and fully paid at 30 June	<u>39,453,733</u>	<u>39,395,603</u>
Movement in ordinary shares:		
Opening balance	39,395,603	38,374,094
Issue of shares (i)	58,130	1,021,509
	<u>39,453,733</u>	<u>39,395,603</u>
Ordinary shares on issue:	No:	No:
Opening balance	48,481,642	46,396,928
Issue of shares (i)	151,373	2,084,714
	<u>48,633,015</u>	<u>48,481,642</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 20. CONTRIBUTED EQUITY (CONTINUED)

- (i) On 24 August 2012 63,152 shares were issued to various staff members' staff in lieu of a cash bonus at a cost of \$24,250. On 21 November 2012 88,221 shares were issued to Mr Klupacs in lieu of a cash bonus. The share price on 24 August 2012 and 21 November 2012 was \$0.38 and \$0.37 respectively.
- (ii) On 12 June 2012, Circadian undertook a private placement totalling \$1,021,509 to international and Australian based institutional and sophisticated investors. The private placement of 2,084,714 fully paid ordinary shares (being equal to 4.5% of Circadian's issued capital) was made at an issue price of \$0.49c. This was a 7% premium to the volume weighted average share price over the thirty days prior to the placement date.

#### Share options:

The company has a share based-payment scheme, the Employee Share Option Plan under which options to subscribe for the Company's shares have been granted to certain employees and a Conditional Rights Scheme, which was established to offer eligible employees conditional rights to a specified number of Circadian shares subject to certain milestones. The company did not issue shares or options under these plans (refer to note 26).

#### (c) Capital management

The Group is not subject to any externally imposed capital requirements.

When managing share capital, management's objective is to ensure the entity continues as a going concern as well as to provide benefits to shareholders and for other stakeholders. In order to maintain or achieve an appropriate capital structure, the Company may issue new shares or reduce its share capital, subject to the provisions of the Company's constitution.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 21. RETAINED EARNINGS AND RESERVES

	2013 \$	2012 \$
(a) Movements in retained earnings were as follows:		
Balance at 1 July	(14,488,786)	(13,246,618)
Transfer of balances from historical reserves accounts	-	3,595,085
Net loss for the period	(4,754,793)	(4,837,253)
Balance at 30 June	<u>(19,243,579)</u>	<u>(14,488,786)</u>
(b) Reserves		
Asset revaluation reserve (i)	-	-
Option reserve (ii)	-	-
Contributed capital of associate reserve (iii)	-	-
Net unrealised gains reserve (iv)	226,105	1,055,629
Employee equity benefits reserve (v)	187,497	121,090
Equity reserve attributable to parent (vi)	(7,172,143)	(7,172,143)
Total reserves	<u>(6,758,541)</u>	<u>(5,995,424)</u>
(i) Movement in asset revaluation reserve:		
Opening balance	-	734,407
Transfer to retained earnings	-	(734,407)
Closing balance	<u>-</u>	<u>-</u>
(ii) Movement in option reserve:		
Opening balance	-	19
Transfer to retained earnings	-	(19)
Closing balance	<u>-</u>	<u>-</u>
(iii) Movement in contributed capital of associate reserve:		
Opening balance	-	1,180,872
Transfer to retained earnings	-	(1,180,872)
Closing balance	<u>-</u>	<u>-</u>
(iv) Movement in net unrealised gains reserve:		
Opening balance	1,055,629	197,820
Net gains/(loss) on non-current listed investments for the period	(1,375,640)	1,231,591
Tax effect on above net gains (note 9)	412,690	(369,477)
NCI share of revaluation of listed investments net of tax	133,426	6,583
Share of associate's net unrealised loss	-	(10,888)
Net gains/(losses) on non-current listed investments for the period after tax	<u>(829,524)</u>	<u>857,809</u>
Closing balance	<u>226,105</u>	<u>1,055,629</u>
(v) Movement in employee equity benefits reserve:		
Opening balance	121,090	1,755,722
Transfer to retained earnings of fully amortised options	-	(1,679,787)
Share based payments expense (note 8(c))	66,407	45,155
Closing balance	<u>187,497</u>	<u>121,090</u>
(vi) Movement in equity reserve attributable to parent:		
Opening and closing balance	<u>(7,172,143)</u>	<u>(7,172,143)</u>

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

(vii) Nature and purpose of reserves:

#### Asset revaluation reserve

The asset revaluation reserve is an historical reserve used to record increments and decrements in the value of non-current assets. The Board resolved to clear this reserve to retained earnings in the prior year.

#### Option reserve

This reserve is an historical reserve used to record the consideration received for options granted to executives and employees as part of their remuneration. The Board resolved to clear this reserve to retained earnings in the prior year.

#### Contributed capital of associate reserve

This reserve is an historical reserve which was used to record the Group's equity accounting of share issues by its associated entities. The Board resolved to clear this reserve to retained earnings in the prior year.

#### Net unrealised gains reserve

This reserve records fair value changes on listed investments (other than investments in listed associates) and the Group's equity share of its associate's listed investments.

#### Employee equity benefits reserve

This reserve is used to record the value of equity benefits provided to executives and employees as part of their remuneration. Refer to note 26 for further details on the equity benefit plans. The Board resolved to clear the fully amortised value of options, from the previous employee options plan, in this reserve to retained earnings in the prior year.

#### Equity reserve attributable to parent

This reserve recognises the non-controlling interests' share of the change in the net assets of Vegenics on new investments (capital injections) made by the parent in Vegenics, which are offset by the relevant effect of additional investments made by non-controlling interests. The premium paid by Circadian on acquisition of the balance of Vegenics' non-controlling interests is also recognised in this account.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 22. CASH FLOW STATEMENT RECONCILIATION

(a) Reconciliation to cash at the end of the year

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of bank guarantees.

	2013 \$	2012 \$
Cash at bank and in hand (Note 11)	11,003,941	16,439,225
	<u>11,003,941</u>	<u>16,439,225</u>

	2013 \$	2012 \$
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(b) Reconciliation of net loss after tax to net cash flows from operations

Net loss	(5,004,506)	(4,906,456)
Adjustments for:		
Depreciation	27,340	28,579
Net loss on disposal of non-current assets	-	-
Net (profit)/loss on disposal of investments	(149,834)	9,762
Net discount on acquisition of Syngene Limited	-	(13,719)
Dividends from equity investments	-	(1,500)
Employee benefits expense	66,407	45,155
Share of associates' net (profits)/losses	-	(166,073)
Impairment losses on non-current financial investments	26,218	-
Net exchange differences	55,244	(84,685)
	-	-
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	(69,399)	5,973
Decrease/(increase) in interest receivable	100,003	(53,959)
(Increase)/Decrease in other receivables	(767,667)	(1,423,638)
(Decrease)/increase in payables	(338,581)	(362,355)
Increase/(decrease) in employee provisions	82,652	44,593
(Increase)/decrease in deferred tax assets	99,196	(293,968)
(Decrease)/increase in deferred tax liabilities	259,931	(1,614)
Net cash used in operating activities	<u>(5,612,996)</u>	<u>(7,173,904)</u>

(b) Non-cash financing and investing activities

Share-based payments expense (note 26)	66,407	45,155
	<u>66,407</u>	<u>45,155</u>

(c) Disclosure of investing activities

Refer to notes 13 and 24.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 23. RESEARCH AND DEVELOPMENT EXPENSES

Research and Development Costs	2013	2012
	\$	\$
Research project costs (i)	<u>3,436,660</u>	<u>3,595,677</u>
	<u>3,436,660</u>	<u>3,595,677</u>

(i) The research project costs predominantly relate to the development programs in respect to the Vascular Endothelial Growth Factors (VEGF) based therapeutics.

There are no expenditure commitments relating to joint venture research projects in the current or prior year.

The consolidated entity has nil assets in the financial statements employed in the joint ventures.

There were no impairment losses in the assets employed in the joint venture operations.

#### 24. RELATED PARTY DISCLOSURES

##### (a) Subsidiaries

The consolidated financial statements include the financial statements of Circadian Technologies Limited and the subsidiaries listed in the following table:

Name of company	Book value of parent entity investment and % equity interest			
	2013		2012	
	\$	%	\$	%
Circadian Ocular Oy (i)	-	100	-	100
Circadian Shareholdings Pty Ltd (ii)	1	100	1	100
Polychip Pharmaceuticals Pty Ltd	1,999,892	100	2,028,734	100
Precision Diagnostics Pty Ltd (iii)	2,000,000	100	-	100
Syngene Limited (iv)	1,381,640	52	1,381,640	52
Vegenics Pty Ltd (v)	13,573,661	100	28,732,560	100
Opthea Pty Ltd (vi)	7,250,000	100	-	
Ceres Oncology Pty Ltd (vii)	17,400,000	100	-	
	<u>43,605,194</u>		<u>32,142,935</u>	

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

- (i) Circadian Ocular Oy has been deregistered in 2013 and has been dormant since its creation in 2011. It was set up to potentially receive grant funds from Finland which were not forthcoming.
- (ii) Circadian Shareholdings Pty Ltd was incorporated on 24 February 2011 as trustee for the employee Conditional Rights Scheme. Refer to note 26.
- (iii) Precision Diagnostics Pty Ltd was previously known as Cancer Therapeutics Pty Ltd.
- (iv) Syngene Limited, a development company for unique peptide therapeutics technology, became a subsidiary on 8 February 2012.
- (v) Vegenics Pty Ltd was previously known as Vegenics Limited. The entity changed its status to a Pty Ltd company on 8 October 2010.
- (vi) Opthea Pty Ltd was previously known as Insight Therapeutics Pty Ltd. Insight Therapeutics Pty Ltd was first incorporated on 4 September 2012.
- (vii) Ceres Oncology Pty Ltd was first incorporated on 12 September 2012.

Circadian Technologies Limited is the ultimate parent entity.

All subsidiaries were incorporated in Australia, except for Circadian Ocular Oy (incorporated in Finland in the previous financial year) and have the same financial year as Circadian Technologies Limited.

As at 30 June 2013, the above subsidiaries were reviewed to determine whether the investment values held by the Company were impaired. As a result of this exercise, an impairment of \$16,238,409 (2012: \$181,986) was recognised in profit or loss of the parent entity during the current financial year.

In undertaking the impairment test with respect to the investments, the Company assessed the progress of its research and development activities in respect of VGX-100. VGX-100 has a number of potential indications as a treatment for solid tumours as well as a potential treatment for breast cancer related lymphedema. In light of the strong focus on undertaking Phase 2 studies with VGX-100 in lymphedema and deferring commencement of Phase 2 studies in the solid tumour indications while the lymphedema clinical data is generated, we believe it is prudent to revise the valuation for VGX-100 this year.

#### (b) Transactions with related parties

- (i) Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.
- (ii) For details of Director Related Party Transactions refer to note 25 (e).

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### 25. KEY MANAGEMENT PERSONNEL

	Consolidated	
	2013	2012
	\$	\$
(a) Compensation of Key Management Personnel		
Short-term employee benefits	1,355,668	1,954,352
Post employment benefits	139,851	158,018
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments expense	26,013	33,252
Total compensation	<u>1,521,532</u>	<u>2,145,622</u>

Details of the key management personnel are included within the Remuneration Report section of the Directors' Report.

### (b) Options and rights held by Key Management Personnel (Consolidated)

		Balance at		Options exercised	Net change other	Balance at end of period 30		Not exercisable* (i.e. not vested)
		beginning of period 1 July	Granted as remuneration			June	Lapsed	
Executive Directors								
R. Klupacs	2013	520,000	-	-	-	520,000	-	520,000
	2012	1,520,000	-	-	(1,000,000)	520,000	-	520,000
Other Executives								
I. Leitch	2013	150,000	-	-	-	150,000	-	150,000
	2012	-	150,000	-	-	150,000	-	150,000
M. Baldwin	2013	200,000	-	-	-	200,000	-	200,000
	2012	400,000	-	-	-	400,000	200,000	200,000
M. Gerometta	2013	160,000	-	-	-	160,000	-	160,000
	2012	260,000	-	-	-	260,000	100,000	160,000
M. Sullivan	2013	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-
R. Chadwick	2013	180,000	-	-	-	180,000	-	180,000
	2012	340,000	-	-	-	340,000	160,000	180,000
S. Madden	2013	-	-	-	-	-	-	-
	2012	200,000	-	-	-	200,000	-	200,000
Total	2013	1,210,000	-	-	-	1,210,000	-	1,210,000
	2012	2,720,000	150,000	-	(1,000,000)	1,870,000	460,000	1,410,000

\* These options have not legally vested. Vested options, which must achieve share price hurdles in order to vest, will only become exercisable in 2011 (for options issued in 2008 and 2007) and 2012 (for options issued in 2009). Conditional rights were granted during the current financial period. The rights will become exercisable on achievement of certain milestones. Refer to note 26 (b) (ii) for details of the Conditional Rights Scheme.

# CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

### (c) Shareholdings of Key Management Personnel (Consolidated)

#### Ordinary shares held in Circadian Technologies Limited (number)

		Balance at beginning of period 1 July	Granted as remuneration	On Exercise of Options	Net change other	Balance at end of period 30 June
<b>Directors</b>						
R. Klupacs	2013	272,254	-	-	208,199	480,453
	2012	197,519	-	-	74,735	272,254
D. Fisher	2013	167,500	-	-	-	167,500
	2012	117,500	-	-	50,000	167,500
D. Clarke	2013	80,000	-	-	-	80,000
	2012	80,000	-	-	-	80,000
T. McMeckan	2013	70,000	-	-	30,000	100,000
	2012	38,773	-	-	31,227	70,000
C. Montagner <sup>1</sup>	2013	-	-	-	-	-
	2012	22,058	-	-	(22,058)	-
E. Malta <sup>2</sup>	2013	70,000	-	-	(70,000)	-
	2012	50,000	-	-	20,000	70,000
<b>Executives</b>						
I. Leitch	2013	-	-	-	-	-
	2012	-	-	-	-	-
M. Baldwin	2013	-	-	-	-	-
	2012	-	-	-	-	-
M. Gerometta	2013	-	-	-	-	-
	2012	-	-	-	-	-
M. Sullivan	2013	-	-	-	-	-
	2012	-	-	-	-	-
R. Chadwick	2013	-	-	-	-	-
	2012	-	-	-	-	-
S. Zammit	2013	-	-	-	-	-
	2012	-	-	-	-	-
<b>Total</b>	<b>2013</b>	<b>659,754</b>	<b>-</b>	<b>-</b>	<b>168,199</b>	<b>827,953</b>
	<b>2012</b>	<b>505,850</b>	<b>-</b>	<b>-</b>	<b>153,904</b>	<b>659,754</b>

<sup>1</sup> C. Montagner resigned as a non-executive director of Circadian on 14 October 2011.

<sup>2</sup> E. Malta resigned as a non-executive director of Circadian on 1 October 2012.

Any equity transactions by key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more or no less favourable than those that would have adopted if dealing at arm's length, that is, they are on-market transactions.

### (d) Loans to Key Management Personnel (Consolidated)

There were no loans to key management personnel during the current financial year and the previous financial year.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (e) Other transactions and balances with key management personnel and their related parties

Director related party transactions:

##### Purchases

(i) Laboratory costs totalling \$9,356 (2012: \$63,570) were incurred during the year by Vegenics Limited for facilities provided by LICR. Dr Jonathan Skipper, a former non-executive director of Circadian until November 2011, is an executive officer of LICR.

(ii) Legal fees, including miscellaneous expenses, totalling \$72,711 (2012: \$43,271) were incurred during the year by the Group for services provided by the legal firm of Minter Ellison of which Don Clarke, a director of the Company, is a partner. These legal fees were charged at commercial rates.

(iii) Website fees totalling \$84,492 (2012: \$31,436) were incurred during the year by the Group for services provided by Helix Digital Pty Ltd of which Dominique Fisher, Chairman of the Company, is the managing director. These fees were charged at a discount to the company's commercial rates.

Amounts recognised at the reporting date in relation to director related entity transactions:

	2013 \$	2012 \$
Assets and liabilities:		
Current assets	-	-
Non-current assets	-	-
	<hr/>	<hr/>
	-	-
Current liabilities		
Payables	594	10,373
Non-current liabilities	-	-
	<hr/>	<hr/>
	594	10,373
Revenues and expenses:		
Administrative expenses	157,203	93,874
Research & development expenses	9,356	54,073
	<hr/>	<hr/>
	166,559	147,947

## 26. SHARE-BASED PAYMENT PLANS

### (a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	2013 \$	2012 \$
Expense arising from equity-settled share-based payment transactions (note 8(c))	<hr/>	<hr/>
	66,407	45,155

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

Circadian currently operates two share based-payment plans; the Option Plan and the Conditional Rights Scheme. These are described below. There have been no cancellations or modifications to the existing Options Plan.

A new Conditional Rights Scheme was introduced on 4 March 2011 which enables eligible employees to be awarded shares which are equity settled, when certain milestones have been met by the Group. This will replace the Option Plan and no more new options will be granted under the existing plan. Refer to note 26(b)(ii).

#### (b) Types of share-based payment plans

##### (i) Senior Management Option Plan (Option Plan)

Share options were granted to executive directors and certain employees under this plan. There will be no more new options issued to executives and senior management under this Option Plan.

In valuing transactions settled by way of issue of options, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Circadian Technologies Limited. All options issued have market performance conditions so as to align shareholder return and reward for the Company's key management personnel.

The Option Plan was implemented to offer options which are subject to performance hurdles in January 2007. The options issued to employees (including senior executives) in 2007, 2008, and 2009 were divided equally into three tranches.

The number of options in each tranche will vest on the satisfaction of the following performance conditions during the relevant option period (2007 options within 5 years of grant date; 2008, 2009 and 2010 options within approximately 4 years of grant date).

The 2007 options issued have an exercise price of \$1.50, the 2008 options issued have an exercise price of \$1.30 and the 2009 options have an exercise price of \$1.00.

#### Performance Hurdles

Tranche 1 - a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price;  
Tranche 2 - the Share Price achieves not less than 150% of the Exercise Price; and  
Tranche 3 - the Share Price achieves not less than 175% of the Exercise Price.

The Share Price is to be calculated as the Volume Weighted Average Price (VWAP) of Circadian shares traded on the ASX over a consecutive 15 day trading period.

Vested options may only be exercised at any time in the last 12 months of the relevant option period.

The Exercise Price is subject to any adjustment which is required under the ASX Listing Rules as a consequence of a capital reorganisation or a pro-rata rights issue of shares which occurs after the grant of the options but prior to the exercise of the options.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

The Board has residual discretion to accelerate vesting (i.e. reduce or waive the Performance Hurdles) and exercise options in the event of a takeover or merger or any other circumstance in accordance with the terms of the Option Plan.

Options in relation to which performance conditions have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised, except in circumstances as described below.

Options which have not vested will lapse where an option holder ceases employment with Circadian other than on retirement, redundancy, death or total and permanent disablement, or unless as otherwise determined by the Board in its absolute discretion.

Where an option holder has ceased employment with Circadian as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period but not before the first anniversary or grant date, options (whether vested or not), may be retained by the option holder on a pro-rata basis (the pro-rata being calculated over the period from grant date).

#### (ii) Conditional Rights Scheme

The Scheme was established on 4 March 2011 to offer eligible employees conditional rights to a specified number of Circadian shares subject to certain milestones. These shares are equity settled at no cost to the employees once the milestones are met. The contractual life of the rights is four years. Employees who have obtained three months of satisfactory service with the Group as at 1 October 2010 are eligible to participate in the Scheme.

Once the milestones have been met and the share rights exercised, the Circadian shares will be issued to the Scheme Trustee to be held on the employee's behalf.

When an employee ceases employment with the Group before the share rights have vested, other than death, total and permanent disablement and redundancy, the entitlement to the rights will lapse and the share rights will cease. The employee will not be entitled to any compensation in respect of those rights which are forfeited.

If employment ceases with the Group after all of the conditions attaching to the rights are satisfied, these rights can be retained, exercised and the shares withdrawn from the Scheme.

The exercise of the rights is conditional on the Group achieving the following conditions (milestones):

#### Milestone 1

- 33% of the rights will vest if either of the following occurs within 18 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed and annualised royalty income exceeds \$2 million.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### Milestone 2

- 67% of the rights will vest if any three of the following occurs within 36 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
  - the share price based on a 10 day Volume Weighted Average Price (VWAP) at any time exceeds \$1.50 within 90 days of the date of the offer, which is 4 March 2011;
  - completion of necessary studies to have enabled the VGX-200 or VGX-300 series of molecules to be designated "formal drug development candidates;"
  - identification of a putative biomarker/clinical profile to enable patient selection into Phase 2 clinical trials; or
  - annualised sales royalty income exceeding \$5 million.

#### Milestone 3

- 100% of the rights will vest if any three of the following occurs within 48 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
  - the share price based on a 10 day Volume Weighted Average Price (VWAP) at any time exceeds \$1.75 within 90 days of the date of the offer, which is 4 March 2011;
  - completion of necessary studies to have enabled the VGX-200 or VGX-300 series of molecules to be designated "formal drug development candidates";
  - identification of a putative biomarker/clinical profile to enable patient selection into Phase 2 clinical trials; or
  - annualised sales royalty income exceeding \$7.5 million.
- 100 % of the rights will also vest and are able to be exercised if:
  - the 10 day VWAP of Circadian shares is not less than \$1.75 at any time;
  - in the event of a sale, merger or takeover, or other similar event as determined by the Board, the offer price per share exceeds:
    - (i) \$1.30 per share, within the 12 months of the offer date which is 4 March 2011
    - (ii) \$1.50 per share, within the 24 months of the offer date
    - (iii) \$1.75 per share, within the 36 months of the offer date
    - (iv) \$2.00 per share, within the 48 months of the offer date
  - if all of the events for Milestone 3 occur within 48 months of the offer date.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (c) Summary of options/rights granted

The following table details the number and movements in share options and rights during the current year:

2013

Date of issue	16/05/2012 (ii)	22/03/2011 (ii)	26/06/2009 (i)	15/12/2008 (i)	15/09/2008 (i)
On issue at the beginning of the year	150,000	1,560,000	77,144	100,000	780,982
Granted during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Forfeited during the year	-	(200,000)	(77,144)	(100,000)	(780,982)
Outstanding at the end of the year	150,000	1,360,000	-	-	-

2012

Date of issue	16/05/2012 (ii)	22/03/2011 (ii)	26/06/2009 (i)	15/12/2008 (i)	15/09/2008 (i)
On issue at the beginning of the year	-	1,560,000	77,144	100,000	780,982
Granted during the year	150,000	-	-	-	-
Exercised during the year	-	-	-	-	-
Forfeited during the year	-	-	-	-	-
Outstanding at the end of the year	150,000	1,560,000	77,144	100,000	780,982

Exercisable at end of the year

Number of recipients

Exercise price

Exercise period from

To (Expiration day)

-	-	-	-	-
1	10	2	1	8
\$0.00	\$0.00	\$1.00	\$1.00	\$1.00

4/09/2012	4/09/2012	26/06/2012	15/12/2011	15/09/2011
31/03/2015	31/03/2015	26/06/2013	15/12/2012	15/09/2012

(i) Refer to note 26(b)(i) for a summary of the options granted.

(ii) Refer to note 26(b)(ii) for a summary of the rights granted.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### (d) Pricing models for options and conditional rights granted

The following assumptions were used to derive a value for the options and rights granted using the model as specified below as at the grant date, taking into account the terms and conditions upon which the options or rights were granted.

Issue date of options/rights	16/05/2012	22/03/2011	26/06/2009	15/12/2008	15/09/2008
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected annual volatility	50.0%	45.0%	45.0%	45.0%	45.0%
Risk-free interest rate (p.a)	2.60%	5.04%	5.08%	3.73%	5.43%
Expected life of option/right (years)	2.8	4.0	3.5	3.5	3.5
Fair value per option/right	11.00 cents	20.34 cents* - 25.00 cents	20.96 cents - 21.97 cents	11.28 cents - 12.06 cents	27.99 cents - 29.14 cents
Exercise price per option/right	\$0.00	\$0.00	\$1.00	\$1.00	\$1.00
Share price at grant date	\$0.440	\$0.700	\$0.745	\$0.58	\$0.85
Model used	Binomial**	Binomial**	Monte Carlo	Monte Carlo	Monte Carlo

\* The fair value of 520,000 options is 20.34 cents which are valued effective 11 November 2010 which is the date that shareholders approved the issue of conditional rights to R Klupacs at the Annual General Meeting. Refer to the Remuneration Report section of the Directors' Report.

\*\* The Binomial model is implemented by defining the upper and lower values of the stock over discrete periods of time. Under the assumption of no dividends, the Binomial model approximates to the Black-Scholes model.

For the options issued, from 2007 onwards, the life was based on the assumed exercise behaviour which calculates the effect of an early exercise of the option into the expected life. These estimates may not be indicative of the exercise pattern which may occur.

For the rights issued in 2012 and 2011, the life was based on the expiry date quoted on the Performance Rights Certificates of the rights granted. The expected volatility is calculated using historic share returns. These periods differed in each financial year. For those rights granted in 2012 and 2011, this was a period of two years. This basis assumes that the historical volatility is indicative of future market trends which may not be the case.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 27. COMMITMENTS

##### (i) Operating lease commitments - Group as lessee

The Group has entered into a commercial lease for the office premises. The lease was signed in July 2013 and is for a period of 6 years from the 15<sup>th</sup> July, 2013. The previous lease has been transferred effective 15 July, 2013.

	2013	2012
	\$	\$
Within one year	89,523	132,419
After one year but not more than five years	428,360	376,044
	<u>517,883</u>	<u>508,463</u>

##### (ii) Research projects and license commitments

The Group has entered into research and development and intellectual property license agreements with various parties (refer to note 23 for details of some of the projects). Expenditure commitments relating to these are payable as follows:

	2013	2012
	\$	\$
Within one year	1,793,006	2,367,143
After one year but not more than five years	703,065	958,405
After more than five years	373,344	400,960
	<u>2,869,415</u>	<u>3,726,508</u>

#### 28. CONTINGENCIES

(i) Circadian and its subsidiaries are party to various research agreements with respect to which a commitment to pay is contingent on the achievement of research milestones. Assuming all milestones are achieved within the timeframes stipulated in the contracts, those which could become payable in less than one year total \$20,000 (2012: \$130,000) and those which could become payable in more than one year total \$12,751,034 (2012: \$11,612,747). These expenditure commitments would have an offsetting revenue stream from royalties and other income.

Further, under license/collaboration agreements with three third parties, payments are to be made only if certain research and clinical development milestones are achieved and royalties may become payable on any eventual sales of products developed under these agreements.

(ii) Remuneration contingent liability - refer to "Employment contracts" in the Remuneration Report of the Director's Report with respect to payments in lieu of notice where either the Managing Director resigns or the Company terminates his employment.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 29. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

The company moved to its new office located at Level 4/650 Chapel Street South Yarra, Victoria on the 15<sup>th</sup> July, 2013.

#### 30. AUDITORS' REMUNERATION

	2013	2012
	\$	\$
The auditor of Circadian Technologies Limited is Deloitte Touche Tohmatsu Amounts received or due and receivable by Deloitte (Australia) for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	87,210	85,500
- other services in relation to the entity and any other entity in the consolidated group	10,500	-
	<u>97,710</u>	<u>85,500</u>

#### 31. NON-CONTROLLING INTEREST

	2013	2012
	\$	\$
Balance at beginning of year	(1,285,462)	-
Non-controlling interests arising on the change in control of Syngene Limited on 8/2/2012	-	(862,932)
Additional non-controlling interests arising due to share issue	(5,010)	(498,316)
Share of loss for the period	249,713	69,203
Share of other comprehensive income for the period	133,426	6,583
Balance at end of year	<u>(907,333)</u>	<u>(1,285,462)</u>

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 32. OTHER INTANGIBLE ASSETS

	2013 \$	2012 \$
Carrying amounts of:		
Intellectual property	<u>500,000</u>	<u>500,000</u>
Cost:		
Balance at beginning of year	500,000	-
Acquisition of DiMitech platform technology	-	500,000
Balance at end of year	<u>500,000</u>	<u>500,000</u>

During the 2012 financial year, Syngene Limited acquired DiMitech platform technology intellectual property from Monash University to further develop unique therapeutic peptides. As Syngene is undertaking further experiments to improve upon the technology it is considered to have an indefinite useful life and has therefore not been amortised. Each year the Company will assess the development of the asset and consider any indications of impairment.

#### 33. BUSINESS COMBINATIONS

##### (i) Subsidiaries acquired

2012	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred (\$)
Syngene Limited	Research	8/02/2012	51.67	<u>293,880</u>

Syngene Limited was acquired on 8 February 2012 as a result of a rights issue by Syngene and effectively the Company gained control of this investment. Prior to this the Group owned 42.66% of Syngene which had been equity accounted until the date of the change in control. During the year 100,000 shares were issued to new shareholders. The Group owns 51.54% (2012: 51.67%) of Syngene Limited.

## CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

(ii) Assets acquired and liabilities assumed at the date of acquisition

	<u>Syngene Limited</u>	
	2013	2012
	\$	\$
Current assets		
Cash and cash equivalents	-	994,965
Receivables	-	1,624
Non-current assets		
Available for sale investments	-	881,477
Deferred tax assets	-	132,801
Current liabilities		
Payables	-	(60,603)
Non-current liabilities		
Deferred tax liabilities	-	(132,801)
	<u>-</u>	<u>1,817,463</u>

(iii) Non-controlling interests

The non-controlling interest (47.48% ownership interest in Syngene Limited) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to \$862,932. This fair value was estimated by applying the percentage ownership to the net assets of Syngene Limited which had been fair valued at the date of acquisition. Refer note 31.

(iv) Net cash inflow on acquisition of subsidiaries

	2013	2012
	\$	\$
Consideration paid in cash	-	(293,880)
Less: cash and cash equivalent balances acquired	-	994,965
	<u>-</u>	<u>701,085</u>

(v) Impact of acquisitions on the results of the Group

Included in the loss for the 2012 year is \$59,683, which reflects the full loss attributable to the addition of Syngene Limited to the Group. Income for the year includes \$48,746 of which the majority is interest generated from Syngene's term deposits. As Syngene had been equity accounted up until 8 February 2012, the profit generated by Syngene for the period 1 July 2011 to 8 February 2012 of \$84,398 has not been recognised in the consolidated accounts so that only the post acquisition profits of Syngene are consolidated. The equity accounted share of profit to 8 February 2012 has been recognised at note 14(b).

## DIRECTORS DECLARATION

FOR THE YEAR ENDED 30 JUNE 2013

In accordance with a resolution of the directors of Circadian Technologies Limited, we state that:

1. In the opinion of the directors:

(a) the financial report and the notes thereto are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards, Corporations Regulations 2001, and International Financial Reporting Standards (IFRS) as disclosed in note 2(a) of the financial statements; 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. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the directors made pursuant to S.295(5) of the Corporations Act 2001.

On behalf of the Directors



Robert Klupacs  
Director



Dominique Fisher  
Director  
Melbourne  
26 August 2013

# Independent Auditor's Report to the Members of Circadian Technologies Limited

## Report on the Financial Report

We have audited the accompanying financial report of Circadian Technologies Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 49 to 106.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

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

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

# Deloitte

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Circadian Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of Circadian Technologies Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a).

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 19 to 30 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

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



DELOITTE TOUCHE TOHMATSU



G J McLean  
Partner  
Chartered Accountants  
Melbourne, 26 August 2013

## CORPORATE INFORMATION

Company	Circadian Technologies Limited ABN 32 006 340 567
Directors	Dominique Fisher, BA(Hons), MAICD (Chairman) Robert Klupacs, BSc(Hons), Grad Dip IP Law, MAIPA (Managing Director and Chief Executive Officer) Don Clarke, LLB(Hons) Tina McMeckan, BLibArts&Sc, MBA, FAICD
Company Secretary	Steven Zammit, B.Bus (Acc), Post Grad Dip (Acc), M.Bus, (Banking & Fin), CPA
Registered Office	Level 4,650 Chapel Street, South Yarra, Victoria 3141
Principal Administrative Office	Level 4,650 Chapel Street, South Yarra, Victoria 3141 Telephone: +61 (3) 9826 0399 Facsimile: +61 (3) 9824 0083
Bankers	Commonwealth Bank of Australia, Melbourne, Victoria
Auditors	Deloitte Touche Tohmatsu, 550 Bourke Street, Melbourne, Victoria 3000
Solicitors	Minter Ellison, Rialto Towers, Level 23, 525 Collins Street, Melbourne, Victoria 3000
Share Register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 Telephone: +61 (3) 9415 4000 or 1300 850 505 (within Australia)
Stock Exchange Listing	Circadian Technologies Limited's shares are quoted on the Australian Securities Exchange Limited ASX (code: CIR)

Circadian also operates an American Depositary Receipt (ADR) program where One ADR is the equivalent of 5 shares. ADRs are publicly traded on the OTC QX in the United States of America (code: CKDXY).

