



29 August 2014

Dear Sir/Madam

**PRELIMINARY FINAL REPORT (APPENDIX 4E)
FINANCIAL YEAR ENDED 30 JUNE 2014**

No. of Pages: 24

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 2014.

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

A handwritten signature in black ink, appearing to read "Mike Tonroe", followed by a horizontal line extending to the right.

Mike Tonroe
CFO & Company Secretary

Circadian Technologies Limited and Controlled Entities

Appendix 4E

Preliminary Final Report

Name of entity: **CIRCADIAN TECHNOLOGIES LIMITED**

ABN: **32 006 340 567**

Reporting period: **FINANCIAL YEAR ENDED 30 JUNE 2014**

Previous corresponding period: **FINANCIAL YEAR ENDED 30 JUNE 2013**

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This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

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

Circadian Technologies Limited and Controlled Entities

Results for announcement to the market

The consolidated results of Circadian Technologies Limited for the year ended 30 June 2014 are as follows:

Revenues and results from ordinary activities:		Change compared to 2013 %	2014 \$
Revenues from ordinary activities	Down	23.9 to	878,083
Loss from ordinary activities after tax attributable to members	Loss has decreased	16.0 to	(3,996,142)
Loss for the year attributable to members	Loss has decreased	16.0 to	(3,996,142)

Commentary on results

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

The consolidated net loss of the Group for the year was \$3,989,618 after an income tax benefit of \$2,859,403 (2013: loss of \$5,004,506 after an income tax benefit of \$1,558,009).

Pursuant to the Group's strategy, its major expenditure was research and development (R&D) activities associated with OPT-302 for the treatment of wet AMD. Also included in this expenditure is clinical evaluation of VGX-100 in oncology. Direct R&D expenditure (excluding personnel costs) for the year was \$3,613,066 (2013: \$3,436,660).

Non-R&D expenditure excluding impairment losses for the Group was \$4,004,380, a 15.2% reduction over the same expenditure last year (2013: \$4,720,315).

The income tax benefit for the year of \$2,859,403 includes a \$507,923 favourable adjustment to the 2013 R&D claim following AusIndustry's positive findings in relation to the eligibility of Circadian's overseas R&D spend on certain projects. This provides greater certainty for future R&D claims and accordingly a further income tax benefit of \$2,292,038 was recognised based on the R&D spend for this year (2013: \$1,960,206).

The Group's consolidated cash balances at 30 June 2014 were \$7,162,020 (30 June 2013: \$11,003,941); its net current asset surplus was \$8,216,001 (30 June 2013: \$11,561,144).

The group retains an interest in various listed investments, the total market value of these at 30 June 2014 was \$2,275,421 (30 June 2013: \$2,280,517).

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

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

	Note	2014 \$	2013 \$
Finance revenue		274,931	530,986
Other revenue		603,152	622,701
Revenue	2	878,083	1,153,687
Other income	3	397,514	466,991
Research and development expenses	17	(3,613,066)	(3,436,660)
Patent expenses		(336,154)	(459,999)
Intellectual property costs		(229,840)	(155,512)
Administrative expenses	4(c)	(3,323,659)	(3,943,288)
Occupancy expenses	4(b)	(114,727)	(161,516)
Impairment losses	4(a)	(507,172)	(26,218)
Loss before income tax		(6,849,021)	(6,562,515)
Income tax benefit	5	2,859,403	1,558,009
Loss for the year		(3,989,618)	(5,004,506)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net unrealised gains/(losses) on non-current listed investments for the period		215,970	(1,375,640)
Income tax on items of other comprehensive income	5	(64,791)	412,690
Other comprehensive income for the period, net of tax		151,179	(962,950)
Total comprehensive income for the period		(3,838,439)	(5,967,456)
Profit/loss for the period is attributable to:			
Non-controlling interests	21	6,524	(249,713)
Owners of the parent	15	(3,996,142)	(4,754,793)
		(3,989,618)	(5,004,506)
Total comprehensive income for the period is attributable to:			
Non-controlling interests		36,754	(383,139)
Owners of the parent		(3,875,193)	(5,584,317)
		(3,838,439)	(5,967,456)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
- Basic and diluted loss per share (cents)	6	(8.22)	(9.79)

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 financial position at 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	7,162,020	11,003,941
Current tax assets	5	2,292,038	1,960,206
Receivables	8	413,820	363,810
Prepayments		113,121	143,554
Total Current Assets		9,980,999	13,471,511
Non-Current Assets			
Available-for-sale financial assets	9	2,275,421	2,280,517
Deferred tax assets		56,135	77,385
Plant and equipment	10	148,778	82,546
Intangible assets	22	-	500,000
Total Non-Current Assets		2,480,334	2,940,448
TOTAL ASSETS		12,461,333	16,411,959
LIABILITIES			
Current Liabilities			
Payables	11	1,604,668	1,598,782
Provisions	12	160,330	311,585
Total Current Liabilities		1,764,998	1,910,367
Non-Current Liabilities			
Deferred tax liability		56,135	77,385
Provisions	13	86,165	65,261
Other liabilities		74,779	-
Total Non-Current Liabilities		217,079	142,646
TOTAL LIABILITIES		1,982,077	2,053,013
NET ASSETS		10,479,256	14,358,946
EQUITY			
Contributed equity	14	39,453,733	39,453,733
Accumulated Losses	15	(23,239,721)	(19,243,579)
Reserves	15	(6,678,843)	(6,758,541)
Equity attributable to owners of the Company		9,535,169	13,451,613
Non-controlling interests	21	944,087	907,333
TOTAL EQUITY		10,479,256	14,358,946

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 changes in equity for the year ended 30 June 2014

Note	Contributed equity	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 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 *	15(b)	-	-	(829,524)	-	(829,524)	(133,426)	(962,950)
Loss for the year *		-	-	-	(4,754,793)	(4,754,793)	(249,713)	(5,004,506)
Total comprehensive income and expense for the year		-	-	(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	14	58,130	-	-	-	58,130	-	58,130
Recognition of share-based payment	15(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
As at 1 July 2013	39,453,733	187,497	(7,172,143)	226,105	(19,243,579)	13,451,613	907,333	14,358,946
Net unrealised gains on non-current listed investments for the period*	15(b)	-	-	120,949	-	120,949	30,230	151,179
Loss for the year *		-	-	-	(3,996,142)	(3,996,142)	6,524	(3,989,618)
Total comprehensive income and expense for the period		-	-	120,949	(3,996,142)	(3,875,193)	36,754	(3,838,439)
Recognition of share-based payment	15(b)	-	(41,251)	-	-	(41,251)	-	(41,251)
Balance at 30 June 2014	39,453,733	146,246	(7,172,143)	347,054	(23,239,721)	9,535,169	944,087	10,479,256

* 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 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Interest received		300,146	630,989
Royalty and licence income received		490,750	615,876
Grant income		-	13,500
Sales of Reagents		6,513	5,481
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		(7,439,845)	(8,202,698)
Income tax refund		2,468,129	1,323,856
Net cash flows used in operating activities	16(b)	<u>(4,174,307)</u>	<u>(5,612,996)</u>
Cash flows from investing activities			
Acquisition of financial investments		(45,328)	(370,199)
Proceeds from sale of investments		505,483	606,144
Purchase of plant and equipment		(118,028)	(2,989)
Net cash flows provided by investing activities		<u>342,127</u>	<u>232,957</u>
Net decrease in cash and cash equivalents		(3,832,180)	(5,380,040)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(9,741)	(55,244)
Cash and cash equivalents at beginning of year		11,003,941	16,439,225
Cash and cash equivalents at the end of the year	7	<u>7,162,020</u>	<u>11,003,941</u>

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

Circadian Technologies Limited and Controlled Entities

Notes to the preliminary final report for the year ended 30 June

1. BASIS OF PREPARATION

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies and methods of computation adopted in the preparation of the preliminary final report are consistent with those adopted in the Company's annual financial report for the year ended 30 June 2013. These accounting policies are consistent with Accounting Standards and with International Financial Reporting Standards.

Going concern basis

The Company is an emerging drug development business and as such expects to be cash absorbing until its technologies are commercialised. For the financial year ended 30 June 2014, the Group incurred a net loss of \$3,989,618 and experienced negative cash flows from operations of \$4,174,307. The Company expects to receive a research and development tax credit relating to expenditure in the 2014 financial year of approximately \$2.2 million in December 2014.

These financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The directors believe the going concern basis of preparation to be appropriate given its existing resources are expected to provide sufficient funding to allow the Company to pay its debts as and when they become due and payable.

Having carefully assessed the Company's ability to effectively manage its expenditures and cash flows from operations, the directors believe that the Company will continue to operate as a going concern for the foreseeable future and therefore it is appropriate to prepare the financial statements on a going concern basis.

If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

Circadian Technologies Limited and Controlled Entities

2. REVENUE

	2014	2013
	\$	\$
(a) Finance revenue		
Interest from:		
- Bank	271,251	527,734
- Other unrelated persons	3,680	3,252
	<u>274,931</u>	<u>530,986</u>
(b) Other revenue		
Royalties and licence fees	603,152	622,701
Total Revenue	<u>878,083</u>	<u>1,153,687</u>

3. OTHER INCOME

Government grant income (i)	187,900	13,500
Net gain on disposal of available-for-sale investments	251,616	149,834
Net foreign exchange (loss)/gains	(48,515)	284,777
Other	6,513	18,880
	<u>397,514</u>	<u>466,991</u>

(i) Government grants during the financial year were paid directly to suppliers by the awarding agency as a contribution towards the Group's research and development costs.

Circadian Technologies Limited and Controlled Entities

4. EXPENSES

	2014	2013
	\$	\$
(a) Impairment losses		
Listed financial investments	7,172	26,218
Intangible asset impairment	500,000	-
	<u>507,172</u>	<u>26,218</u>
(b) Occupancy expenses		
- Operating lease rentals	80,185	122,836
- Outgoings	34,542	38,680
<i>Total occupancy expense</i>	<u>114,727</u>	<u>161,516</u>
(c) Administrative expenses		
Included in administrative expenses are:		
- Depreciation of:		
Equipment and furniture (note 10)	25,540	27,051
Leasehold improvements (note 10)	12,681	289
<i>Total depreciation expense</i>	<u>38,221</u>	<u>27,340</u>
- Loss on sale of non-current assets	13,575	-
- Employee benefits expense:		
Salaries and fees	1,843,888	2,174,968
Cash bonuses	2,500	12,829
Superannuation	173,883	197,350
Share-based payments (write back)/expense	(41,251)	66,407
<i>Total employee benefits expense</i>	<u>1,979,020</u>	<u>2,451,554</u>
- Other administrative expenses		
- Travel expenses	116,459	113,803
- Insurance	81,757	94,615
- Consultancy fees	99,394	206,321
- Legal fees	118,538	83,351
- Payroll tax	76,924	93,643
- Investor relation and share registry related costs	259,236	248,961
- Audit and accounting	169,000	161,650
- Other expenses	371,535	462,050
<i>Total other administrative expenses</i>	<u>1,292,843</u>	<u>1,464,394</u>
Total administrative expenses	<u>3,323,659</u>	<u>3,943,288</u>

Circadian Technologies Limited and Controlled Entities

5. INCOME TAX

(a) Income Tax Benefit	2014	2013
	\$	\$

The major components of income tax benefit are:

Statement of Comprehensive Income

Current income tax

Current income tax credit	2,292,038	1,960,206
Under recognition of prior year benefit	507,923	-
Adjustments in respect of tax losses of previous years	-	10,493

Deferred income tax

Relating to revaluation of listed investments to fair value	64,791	(412,690)
In respect of the current year	(5,349)	-

Income tax benefit reported in the statement of comprehensive income

2,859,403	1,558,009
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(b) Amounts charged or credited directly to equity

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

Net unrealised gain/(loss) on listed investments	64,791	(412,690)
Income tax benefit/(expense) reported in equity	64,791	(412,690)

(c) Current tax assets

Research and Development Tax incentive credit receivable	2,292,038	1,960,206
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(d) 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.

(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.

Circadian Technologies Limited and Controlled Entities

6. EARNINGS PER SHARE

	2014	2013
	\$	\$
The following reflects the income used in the basic and diluted earnings per share computations:		
<i>(a) Earnings used in calculating earnings per share</i>		
Net loss attributable to ordinary equity holders of the parent	(3,996,142)	(4,754,793)
<i>(b) Weighted average number of shares</i>		
Weighted average number of ordinary shares on issue for basic earnings per share	48,633,015	48,588,214
Effect of dilution:		
Conditional rights	-	-
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	48,633,015	48,588,214

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

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash at bank and in hand	2,412,020	2,503,941
Short-term deposits	4,750,000	8,500,000
	7,162,020	11,003,941

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 3.47% (2013: 4.37%).

8. CURRENT ASSETS - RECEIVABLES

	2014	2013
	\$	\$
Interest receivable	2,278	27,493
Royalty income receivable (i)	-	44,111
GST receivable (i)	122,727	54,400
Other (i)	288,815	237,806
Total current receivables	413,820	363,810

(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.

Circadian Technologies Limited and Controlled Entities

9. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 \$	2013 \$
Listed Australian shares - at fair value	2,275,421	2,280,517

Details of listed Australian shares

	Ownership interest		Fair value (i)		Cost of investment	
	2014 %	2013 %	2014 \$	2013 \$	2014 \$	2013 \$
Non-current investments:						
Antisense Therapeutics Ltd	9.97	10.33	2,010,622	1,488,158	3,548,269	3,578,074
Optiscan Imaging Limited	4.95	5.16	248,555	585,601	786,131	824,847
Other listed investments held in Syngene Ltd less than 1% interest			16,244	206,758	20,888	347,926
Total listed investments			2,275,421	2,280,517	4,355,288	4,750,847

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.

Details of the investments in subsidiaries are shown in note 18.

Circadian Technologies Limited and Controlled Entities

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2014	2013
	\$	\$
Equipment and furniture at cost		
Opening balance	257,395	254,405
Additions	38,863	2,990
Disposals	(120,393)	-
Closing balance	<u>175,865</u>	<u>257,395</u>
Accumulated depreciation		
Opening balance	(179,310)	(152,259)
Depreciation for the year	(25,540)	(27,051)
Disposals	111,279	-
Closing balance	<u>(93,571)</u>	<u>(179,310)</u>
Net carrying amount	<u>82,294</u>	<u>78,085</u>
Leasehold improvements at cost		
Opening balance	79,478	79,478
Additions	79,165	-
Disposals	(79,478)	-
Closing balance	<u>79,165</u>	<u>79,478</u>
Accumulated depreciation		
Opening balance	(75,017)	(74,728)
Depreciation for the year	(12,681)	(289)
Disposals	75,017	-
Closing balance	<u>(12,681)</u>	<u>(75,017)</u>
Net carrying amount	<u>66,484</u>	<u>4,461</u>
Total plant and equipment, net	<u>148,778</u>	<u>82,546</u>

11. CURRENT LIABILITIES – PAYABLES

	2014	2013
	\$	\$
Creditors (unsecured) (i)	1,326,516	1,343,198
Income received in advance	197,336	198,640
PAYG tax liability	78,316	56,649
Withholding tax payable	2,500	295
	<u>1,604,668</u>	<u>1,598,782</u>

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

Circadian Technologies Limited and Controlled Entities

12. CURRENT LIABILITIES – PROVISIONS

	2014	2013
	\$	\$
Annual leave	136,570	232,266
Long service leave	23,760	79,319
	<u>160,330</u>	<u>311,585</u>

13. NON-CURRENT LIABILITIES - PROVISIONS

Long service leave	<u>86,165</u>	<u>65,261</u>
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14. CONTRIBUTED EQUITY

	2014	2013
	\$	\$
(a) Ordinary shares		
Issued and fully paid at 30 June	<u>39,453,733</u>	39,453,733
Movement in ordinary shares:		
Opening balance	39,453,733	39,395,603
Issue of shares (i)	-	58,130
	<u>39,453,733</u>	<u>39,453,733</u>
Ordinary shares on issue:	No:	No:
Opening balance	<u>48,633,015</u>	48,481,642
Issue of shares (i)	-	151,373
	<u>48,633,015</u>	<u>48,633,015</u>

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

- (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 (former Managing Director) in lieu of a cash bonus. The share price on 24 August 2012 and 21 November 2012 was \$0.38 and \$0.37 respectively.

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. During the financial year the company did not issue shares or options under these plans.

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(b) 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.

15. RETAINED EARNINGS AND RESERVES

	2014	2013
	\$	\$
(a) Movements in retained earnings were as follows:		
Balance at 1 July	(19,243,579)	(14,488,786)
Net loss for the period	(3,996,142)	(4,754,793)
Balance at 30 June	<u>(23,239,721)</u>	<u>(19,243,579)</u>
(b) Reserves		
Net unrealised gains reserve (i)	347,054	226,105
Employee equity benefits reserve (ii)	146,246	187,497
Equity reserve attributable to parent (iii)	(7,172,143)	(7,172,143)
Total reserves	<u>(6,678,843)</u>	<u>(6,758,541)</u>
<i>(i) Movement in net unrealised gains reserve:</i>		
Opening balance	226,105	1,055,629
Net gains/(loss) on non-current listed investments for the period	215,970	(1,375,640)
Tax effect on above net gains (note 5)	(64,791)	412,690
NCI share of revaluation of listed investments net of tax	(30,230)	133,426
Net gains/(losses) on non-current listed investments for the period after tax	<u>120,949</u>	<u>(829,524)</u>
Closing balance	<u>347,054</u>	<u>226,105</u>
<i>(ii) Movement in employee equity benefits reserve:</i>		
Opening balance	187,497	121,090
Share based payments (written back)/expense	(41,251)	66,407
Closing balance	<u>146,246</u>	<u>187,497</u>
<i>(iii) Movement in equity reserve attributable to parent:</i>		
Opening and closing balance	<u>(7,172,143)</u>	<u>(7,172,143)</u>

Circadian Technologies Limited and Controlled Entities

(c) Nature and purpose of reserves

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.

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

16. CASH FLOW STATEMENT RECONCILIATION

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

	2014	2013
	\$	\$
Cash at bank and in hand (Note 7)	7,162,020	11,003,941
	7,162,020	11,003,941

(b) Reconciliation of net loss after tax to net cash flows from operations

Net loss for the year	(3,989,618)	(5,004,506)
Adjustments for:		
Income tax benefit recognised in profit or loss	(2,859,403)	(1,558,009)
Depreciation of non-current assets	38,221	27,340
Net loss on disposal of non-current assets	13,575	-
Net profit on disposal of investments	(251,616)	(149,834)
Employee benefits expense	(41,251)	66,407
Impairment losses on non-current financial investments	7,172	26,218
Impairment loss recognised on intangible asset	500,000	-
Impairment loss recognised on trade receivables	104,202	-
Net exchange differences	9,741	55,244
	(2,479,359)	(1,532,634)
Movements in working capital:		
Decrease/(increase) in prepayments	30,433	(69,399)
Decrease in interest receivable	25,215	100,003
Increase in other receivables	(179,426)	(174,388)
Increase/(decrease) in payables	80,671	(338,581)
(Decrease)/increase in employee provisions	(130,352)	82,653
Net cash used in operating activities	(6,642,436)	(6,936,852)
Income tax refund	2,468,129	1,323,856
Net cash generated by operating activities	(4,174,307)	(5,612,996)

Circadian Technologies Limited and Controlled Entities

17. RESEARCH AND DEVELOPMENT EXPENSES

	2014	2013
	\$	\$
Research project costs (i)	3,613,066	3,436,660
	3,613,066	3,436,660

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

18. 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	Parent entity % equity interest	
	2014	2013
	%	%
Circadian Shareholdings Pty Ltd (i)	100	100
Polychip Pharmaceuticals Pty Ltd	100	100
Precision Diagnostics Pty Ltd	100	100
Syngene Limited	52	52
Vegenics Pty Ltd	100	100
Opthea Pty Ltd (ii)	100	100
Ceres Oncology Pty Ltd (iii)	100	100

- (i) Circadian Shareholdings Pty Ltd acts as trustee for the employee Conditional Rights Scheme.
- (ii) Opthea Pty Ltd was previously known as Insight Therapeutics Pty Ltd. Insight Therapeutics Pty Ltd was first incorporated on 4 September 2012.
- (iii) 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 and have the same financial year as Circadian Technologies Limited.

(b) Transactions with related parties

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.

Circadian Technologies Limited and Controlled Entities

19. 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 15th July, 2013. The previous lease has been transferred effective 15 July, 2013.

	2014	2013
	\$	\$
Within one year	90,939	89,523
After one year but not more than five years	390,800	428,360
	<u>481,739</u>	<u>517,883</u>

(ii) Research projects and license commitments

The Group has entered into research and development and intellectual property license agreements with various parties. Expenditure commitments relating to these are payable as follows:

	2014	2013
	\$	\$
Within one year	3,216,270	1,793,006
After one year but not more than five years	320,272	703,065
After more than five years	227,778	373,344
	<u>3,764,320</u>	<u>2,869,415</u>

20. CONTINGENCIES

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 \$NIL (2013: \$20,000) and those which could become payable in more than one year total \$2,309,722 (2013: \$12,751,034). 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.

Circadian Technologies Limited and Controlled Entities

21. NON-CONTROLLING INTEREST

	2014	2013
	\$	\$
Balance at beginning of year	(907,333)	(1,285,462)
Additional non-controlling interests arising due to share issue	-	(5,010)
Share of profit/loss for the period	(6,524)	249,713
Share of other comprehensive income for the period	(30,230)	133,426
Balance at end of year	<u>(944,087)</u>	<u>(907,333)</u>

22. INTANGIBLE ASSETS

Carrying amounts of:		
Intellectual property - at cost	500,000	500,000
Less: impairments	(500,000)	-
	<u>-</u>	<u>500,000</u>
Cost:		
Balance at beginning and 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. Each year the Company assesses the development of the asset and considers any indications of impairment. The Company has determined that the cost of the investment is similar in nature to its other research and development costs. The company has been consistent with its treatment of research and development costs and has recorded an impairment of the whole of the carrying value of the intangible asset in the 2014 financial year.

23. NET TANGIBLE ASSET BACKING

	2014	2013
	\$	\$
Net tangible asset backing per ordinary security	0.26	0.33

Circadian Technologies Limited and Controlled Entities

24. RATIOS

	2014	2013
Consolidated net loss from ordinary activities after tax attributable to members as a percentage of equity attributable to members at the end of the year	-41.91%	-35.35%

25. INFORMATION ON AUDIT OR REVIEW

This preliminary final report is based on accounts to which one of the following applies:

- The accounts have been audited.
- The accounts have been subject to review.
- ✓ The accounts are in the process of being audited or subject to review.
- The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review:

- Not applicable.

Description of dispute or qualification if the accounts have been audited or subjected to review:

- Not applicable.