ACRUX LIMITED
ABN: 72 082 001 152
AND CONTROLLED ENTITIES

FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2014
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Rule 4.3A

Appendix 4E **Preliminary Final Report**

Name of entity

Acrux Limited

ABN: 72 082 001 152

1. Reporting period

Report for the financial year ended 30 June 2014
Previous corresponding period is the financial year ended 30 June 2013

2. Results for announcement to the market

				'000's
Revenues from ordinary activities *(item 2.1)*	up	223%	to	53,859
Profit from ordinary activities after tax attributable to members (*item 2.2*)	up	304%	to	27,970
Net profit for the period attributable to members *(item 2.3)*	up	304%	to	27,970

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	Nil	N/A
Special dividend	12 cents	Nil
Final dividend	8 cents	3 cents

Record date for determining entitlements to the dividend *(item 2.5)*	
Interim dividend	Not Applicable
Final dividend	8 September 2014
Special dividend	3 March 2014

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

Please refer to commentary provided in the Directors' Report in the attached Financial Report.

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

Refer to the attached statement

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

Refer to the attached statement

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

Refer to the attached statement

6. Dividends *(item 6)*

	Date of payment	Total amount of dividend
Final dividend – year ended 30 June 2014	22 September 2014	8 cents
Special dividend – year ended 30 June 2014	20 March 2014	12 cents
Interim dividend – year ended 30 June 2014	Not Applicable	Nil
Final dividend – year ended 30 June 2013	23 September 2013	8 cents

Amount per security

Total dividend	**Amount per security**	**Franked amount per security**	**Amount per security of foreign sourced dividend**
Current year	20 cents	nil	nil
Previous year	8 cents	nil	nil

Total dividend on all securities

	Current period $A'000	**Previous corresponding Period - A$'000**
Ordinary securities	33,304	13,322
Total	**33,304**	**13,322**

7. Statement of Retained Earnings *(item 7)*

	Consolidated Entity	
	2014	**2013**
	$'000	**$'000**
Balance at the beginning of year	(49,120)	(42,726)
Net profit attributable to members of the parent entity	27,970	6,926
Total available for appropriation	(21,150)	(35,800)
Dividends paid	(33,304)	(13,320)
Balance at end of year	(54,454)	(49,120)

8. Net tangible assets per security *(item 8)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	12 cents	14 cents

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

10. Commentary on the results for the period.

Refer to the Directors' Report in the attached Financial Report

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

The financial report has been audited

12. The audit has been completed.

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

ACRUX LIMITED
ABN 72 082 001 152
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FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014

ACRUX LIMITED
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AND CONTROLLED ENTITIES

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ABN 72 082 001 152
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity consisting of Acrux Limited and the entities it controlled for the financial year ended 30 June 2014 and the independent auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal Activities

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

Operating Results

The consolidated profit, after income tax, attributable to the members of Acrux Limited was $28.0 million (2013: $6.9 million). Diluted earnings per share were 16.8 cents (2013: 4.2 cents).

Review of Operations

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

Vision

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

Business Strategy

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

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

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

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Operating Results
The consolidated profit before tax increased to $43.9 million (2013: $10.0 million). The consolidated profit after tax was $28.0 million (2013: $6.9 million).

Revenue
Total revenue for the financial year was $53.9 million (2013: $16.7 million). Revenue from product agreements was $53.4 million (2013: $15.5 million). Revenue from Axiron® increased to $52.5 million (2013: $14.6 million), including the recognition of $28.0 million (US$25 million) in milestone revenue, as net sales exceeded US$100 million in the 2013 calendar year and an increase in royalty revenue to $24.5 million (2013: $14.1 million). A further $0.7 million (2013: Nil) of milestone revenue was received under the license agreement with Gedeon Richter for the manufacturing and marketing of Acrux's estradiol spray in markets outside the United States, following the first European regulatory filing. Interest income contributed $0.5 million (2013: $0.9 million).

Operating Expenditure
Operating expenditure totaled $10.0 million (2013: $6.6 million). Employee benefits expense increased to $2.3 million (2013: $2.0 million), the result of a general increase in staff salaries in line with industry averages and an increase in the long service leave provision. Directors' fees increased to $0.6 million (2013: $0.5 million) due to an increase in the fees paid to the Executive Chairman and the addition of a new Non-Executive Director. Royalty payments due to Monash Investment Trust increased to $1.8 million (2013: $0.5 million), in-line with increased product income. A non-cash expense of $0.6 million (2013: Nil) was recorded for employee share options granted during the reporting period, as required by accounting standard AASB 2. The continued strength of the Australian dollar versus the US dollar led to the recognition of $1.2 million of foreign exchange losses (2013: A foreign exchange gain of $0.1 million was recorded).

Income tax expense for the financial year was $15.9 million (2013: $3.1 million), in line with the increase in consolidated profit before income tax. Further details of the income tax expense are provided at Note 1 (j) of the financial report which follows the director's report.

Cash flow
Net cash provided by operating activities increased to $36.4 million (2013: $6.3 million). Net cash inflow for the financial year was $3.0 million (2013: A net cash outflow of $7.1 million was recorded). Cash reserves at 30 June 2014 were $25.8 million (30 June 2013: $22.8 million).

Receipts from product agreements increased to $53.4 million (2013: $12.6 million) due to the increase in Axiron royalty receipts and the receipt of the US$25 million milestone payment from Eli Lilly. Interest receipts added $0.5 million (2013: $1.2 million). Payments to suppliers and employees increased to $6.7 million (2013: $4.8 million). Income taxes paid increased to $10.8 million from the $2.6 million recorded in the 2013 financial year.

The outflow of cash recorded for financing activities represents the payment of $33.3 million (2013: $13.4 million) of dividends to shareholders, consisting of the 8 cent final dividend for the 2012/13 financial year and the 12 cent special dividend declared in March 2014.

Contributed Equity
There were no changes to contributed equity during the financial year. The previous financial year included the exercise of 25,000 employee share options adding $46,000 to contributed equity.

DIRECTORS' REPORT

The number of outstanding employee share options on issue at the end of the reporting period was 1,855,000 (30 June 2013: Nil), representing 1.1% of the issued share capital. These options are exercisable at $4.30 per share.

Key Events During the Year

- Axiron's net sales for the 2013/14 financial year increased to US$181 million from US$124 million in the prior year.
- Axiron was launched in Brazil, Germany and South Korea.
- Acrux and Eli Lilly filed a lawsuit in the United States against Watson Laboratories Inc., Actavis Pharma Inc. and parent entity Actavis Inc. for infringement of six issued US patents covering Axiron.

Significant Changes in the State of Affairs

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

After Balance Date Events

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

Likely Developments

For the foreseeable future, the consolidated entity’s financial results will be materially influenced by the sales performance of Axiron in the United States. Under a license agreement with Eli Lilly, the consolidated entity receives royalties on worldwide sales of Axiron by Eli Lilly and is eligible to receive potential sales milestone payments of up to US$170 million.

Environmental Regulation

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

Laboratory Waste

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

Trade Water Waste

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

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

DIRECTORS' REPORT

Dividend Paid, Recommended and Declared

A final un-franked dividend for the 2012/13 financial year of 8 cents per share, $13.3 million, was paid during the reporting period. On 20 August 2014, the Directors resolved to declare a final dividend to shareholders of 8 cents per share, franked. The total amount of the dividend, based on the number of shares on issue at 30 June 2014 and at the date of this report, is $13.3 million.

Shares Under Option

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

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
31 July 2013	1,255,000	$4.30	July 2016
21 November 2013	600,000	$4.30	July 2016
	1,855,000		

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

A total of 1,255,000 options over unissued ordinary shares were granted to employees during the financial year. A further 600,000 options, with the same terms as those options granted to employees, were granted to Executive Chairman, Ross Dobinson following shareholder approval at the Company's 2013 Annual General Meeting.

Shares Issued On Exercise of Options

There were no shares issued during the financial year from the exercise of share options.

Indemnification and Insurance of Directors and Officers

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

Proceedings on Behalf of the Consolidated Entity

In May 2013 Acrux DDS Pty Ltd together with Eli Lilly filed a lawsuit in the United States District Court for the Southern District of Indiana against Perrigo Israel Pharmaceuticals Limited (“Perrigo”) for infringement of three issued patents covering Axiron. The patents are owned by Acrux DDS, a wholly-owned subsidiary of Acrux Limited and exclusively licensed to Eli Lilly. The lawsuit was filed in response to notice letters sent by Perrigo regarding its filing with the US Food and Drug Administration of an Abbreviated New Drug Application ("ANDA") for a Testosterone Metered Dose Transdermal Solution. The letters stated that the ANDA contains Paragraph IV certifications with respect to US Patent Numbers 8,177,449, 8,419,307 and 8,435,944, which are expected to expire in 2030, 2026 and 2027 respectively. These patents include claims relating to the application of testosterone formulations to the underarm and to the applicator used to apply Axiron. A Paragraph IV certification alleges invalidity, unenforceability and/or non-infringement of a patent. This ANDA does not contain Paragraph IV certifications with respect to the four other issued patents that cover Axiron, which expire in 2017.

In November 2013 Acrux DDS Pty Ltd together with Eli Lilly filed a lawsuit in the United States District Court for the Southern District of Indiana against Watson Laboratories Inc., Actavis Pharma Inc., and their parent company, Actavis Inc. (“Actavis”) for infringement of six issued patents covering Axiron. The patents are owned by Acrux DDS, a wholly-owned subsidiary of Acrux Limited and exclusively licensed to Eli Lilly for Axiron. The lawsuit was filed in response to notice letters sent by Watson regarding its filing with the US Food and Drug Administration of an ANDA for a Testosterone Metered Dose Transdermal Solution. The letters stated that the ANDA contains Paragraph IV certifications with respect to US Patent Numbers 6,299,900, 6,818,226, 6,923,983, 8,071,075, 8,419,307 and 8,435,944, which are expected to expire between 2017 and 2027. These patents include claims relating to the penetration enhancer, the quick drying formulation, the application of testosterone formulations to the underarm and to the applicator used to apply Axiron. A Paragraph IV certification alleges invalidity, unenforceability and/or non-infringement of a patent.

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

DIRECTORS' REPORT

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

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

R Dobinson (Director since March 1998)

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

DIRECTORS' REPORT

Information on Directors and Company Secretary (Continued)
B Parncutt (Director since April 2012)

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

R Barrow (Director since April 2012)

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

Information on Directors and Company Secretary (Continued)

T Oldham (Director since October 2013)

Responsibilities	-	Non-Executive Director, member of the Human Capital and Audit and Risk Committees
Qualifications	-	BSc.Hons, LLB Hons, PhD
Experience	-	Tim joined the board in October 2013. He has more than a decade of life sciences business development, alliance management, market entry, and sales & marketing experience in Europe, Asia and Australia. He is CEO of Cell Therapies Pty Ltd, a leading Asia Pacific provider of collection, manufacturing, delivery and distribution capabilities for stem cell therapies and regenerative medicine and was President of Asia Pacific for Hospira, Inc. (2007 to 2012), having held a variety of senior management roles with Mayne Pharma (2002 to 2007) prior to its acquisition by Hospira. These roles encompass the development and commercialisation of pharmaceuticals, devices, biologics and cellular therapies. Prior to this, Dr Oldham was an engagement manager with McKinsey & Co (1997 to 2001). He has been chairman of the European Generic Medicines Association Biosimilars and Biotechnology Committee, a director of the Generic Medicines Industry Association and a member of the Pharmaceutical Industry Strategy Group. He is also a Director of iSonea Ltd (ASX:ISN).

T Di Pietro (Appointed 16 August 2013)

Responsibilities	-	Chief Financial Officer and Company Secretary
Qualifications	-	B.Com, CPA, GradDipACG
Experience	-	Tony was appointed Finance Manager in March 2004, then Financial Controller in January 2007 before being appointed Chief Financial Officer and Company Secretary in August 2013. Working closely with senior management at Acrux, Tony has been involved in a number of key events including the listing of Acrux on the Australian Stock Exchange and the subsequent capital raising for the Phase III development of Axiron. Prior to joining Acrux, Tony held a number of finance positions at companies including ExxonMobil Limited, Wilson Parking Pty Ltd and BHP Limited (prior to the merger with Anglo-Dutch Billiton plc). Tony qualified as a CPA in 2000 and holds a Bachelor of Commerce Degree from Swinburne University and recently completed a Graduate Diploma of Applied Corporate Governance at the Governance Institute of Australia.

DIRECTORS' REPORT

Directors' Meetings

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

DIRECTORS	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			AUDIT & RISK		HUMAN CAPITAL	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R Dobinson	8	8	-	2*	-	1*
B Parncutt	8	8	2	2	1	1
R Barrow	8	8	2	2	1	1
T Oldham[1]	6	6	1	1	1	1

1 Appointed Non-Executive Director 1 October 2013.
* Attended by invitation.

Directors' and Executives' Interests in Shares and Options

Directors' and Executives' relevant interests in shares of Acrux Limited and options over shares in the Company as at 30 June 2014 are detailed below:

	Total No. of Shares	Total No. of Options
Directors		
R Dobinson	1,372,593	600,000
B Parncutt	718,137	-
R Barrow	17,375	-
T Oldham	15,750	-
Executives		
C Blower	33,000	250,000
T Di Pietro	10,290	175,000
N Webster	6,100	175,000
Total	2,173,245	1,200,000

Directors' Interests in Contracts

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

DIRECTORS' REPORT

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

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

	2014	**2013**
	$	**$**
Amounts paid or payable to Pitcher Partners (Melbourne) for non-audit services:	Nil	Nil
Amounts paid or payable to network firms of Pitcher Partners for non-audit services:	Nil	Nil
Amounts paid or payable to non-related auditors of group entities for non-audit services:	Nil	Nil
Total auditors’ remuneration for non-audit services	Nil	Nil

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The Directors present the consolidated entity's 2014 remuneration report which details the remuneration information for Acrux Limited's Executive Chairman, Non-Executive Directors and other key management personnel.

HUMAN CAPITAL COMMITTEE

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

(a) recommending to the Board a policy and framework for senior employees' remuneration which should aim to set remuneration which:
  (i) is competitive, fair and designed to attract employees of high quality, experience and integrity;
  (ii) motivates senior employees to pursue the long term growth and success of the Company within the appropriate control framework; and
  (iii) establishes a clear relationship between the performance of senior management and their remuneration;

(b) reviewing and recommending to the Board the total individual remuneration package of each member of senior management (including an executive Director), including any bonuses, incentive payments, and participation (including the level of participation) in any share or share option plans in accordance with the policy and framework for senior employees' remuneration;

(c) reviewing benchmarks against which salary reviews are made;

(d) reviewing and recommending the establishment and terms of any employee share or share option plan or other incentive plan and recommending any changes to the Board;

(e) reviewing and recommending on the superannuation arrangements of the Company and its controlled entities; and

(f) ensuring that equity-based senior management remuneration is made in accordance with thresholds set in plans approved by shareholders.

REMUNERATION POLICY

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

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

REMUNERATION REPORT (AUDITED)

REMUNERATION STRUCTURE

The remuneration of employees is structured in two parts:

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

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

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

SHORT TERM INCENTIVE PLAN

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

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

Achievement of each objective is expected to create immediate value for shareholders, or secure a material step towards value that will crystallise in a future period. Shareholder returns in the form of tax-free dividends are shown in the table below. Comparison of the achievement of objectives and shareholder returns for an individual year is not meaningful, because the value may crystallise in a future year.

Financial year	Closing share price ($)	Share price increase/(decrease) ($)	Dividend ($ per share)
2007/08	1.22		
2008/09	1.13	(0.09)	-
2009/10	1.81	0.68	-
2010/11	3.39	1.58	0.60
2011/12	4.25	0.86	-
2012/13	3.51	(0.74)	0.08
2013/14	1.01	(2.50)	0.20

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

The key principles of the plan are:

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

LONG TERM INCENTIVE PLAN

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

- The options expire three years after grant;
- The options lapse on termination of employment, other than through death or redundancy; and
- The exercise price is set at a 25% premium to the volume weighted average market price of the Company’s shares at 31 July 2013.

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

REMUNERATION REPORT

REMUNERATION AND TERMINATION ENTITLEMENTS OF SENIOR MANAGEMENT

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

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

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

The following changes occurred after reporting date:

Executives	Position	Appointed/Resigned/Title Change
C Blower	Chief Operating Officer	Resigned 15 August 2014

Share Options

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

A total of 600,000 employee share options were issued by Acrux Limited to Executives as part of their remuneration on 31 July 2013. These options are exercisable at $4.30 per share until 31 July 2016. A further 600,000 share options with the same terms were issued to executive chairman, Ross Dobinson, on 21 November 2013, following shareholder approval at the 2013 Annual General Meeting.

(b) Shares issued on exercise of compensation options

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

ACRUX LIMITED
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AND CONTROLLED ENTITIES

DIRECTORS' REPORT

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

	Primary		Post employment	Termination Benefits	Equity	TOTAL	Equity as % of Total	Bonus as % of Total
	Salary	Bonus*	Super		Options			
2014	$	$	$	$	$	$	%	%
J Pilcher[1]	61,033	-	4,444	-	-	65,477	0%	0%
C Blower[2]	253,112	25,736	17,775	-	107,500	404,123	27%	6%
T Di Pietro[3]	179,354	18,622	17,431	-	75,250	290,657	26%	6%
N Webster[4]	111,253	11,533	11,387	-	75,250	209,423	36%	6%
	604,752	55,891	51,037	-	258,000	969,680	27%	6%
2013								
J Pilcher[1]	238,530	34,348	16,470	-	-	289,348	0%	12%
C Blower[2]	203,530	29,308	16,470	-	-	249,308	0%	12%
	442,060	63,656	32,940	-	-	538,656	0%	12%

* Bonus relates to the achievement of objectives for the financial year. The amount of bonus earned was 40% of the maximum amount payable for the 2013/14 financial year and 60% for the 2012/13 financial year.
[1] Resigned as Chief Financial Officer and Company Secretary 16 August 2013.
[2] Resigned as Chief Operating Officer 15 August 2014.
[3] Appointed Chief Financial Officer and Company Secretary 16 August 2013.
[4] Appointed Commercial Director 1 July 2013.

REMUNERATION OF DIRECTORS

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

The director and management services of the Executive Chairman Ross Dobinson are provided by Espasia Pty Ltd. The contract for services can be terminated by either party by giving three months' notice in writing. For the 2013/14 financial year the contract provided for fees of $118,000 per annum in respect of director services, $200,000 per annum in respect of executive services and an additional payment of up to 60% of the executive services, dependent on the achievement of objectives, set by the Board. The Board has absolute discretion over the amount of the additional payment.

For the 2013/14 financial year Non-Executive Directors' fees were $76,475 per annum, including superannuation for each Non-Executive Director. At the 2004 Annual General Meeting shareholders set the maximum aggregate amount of Non-Executive Directors' fees at $450,000. In addition Non-Executive Directors are entitled to re-imbursement of reasonable expenses incurred by them on Company business.

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

DIRECTORS' REPORT

REMUNERATION REPORT

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

	Primary		**Post employment**	**Termination Benefits**	**Equity**	**TOTAL**	**Equity as % of Total**	**Bonus as % of Total**
	Fees	Bonus*	Super		Options			
2014	$	$	$	$	$	$	%	%
R Dobinson[1]	318,000	48,000	-	-	98,463	464,463	21%	10%
B Parncutt	70,000	-	6,475	-	-	76,475	0%	0%
R Barrow	70,000	-	6,475	-	-	76,475	0%	0%
T Oldham[2]	52,500	-	4,856	-	-	57,356	0%	0%
	510,500	48,000	17,806	-	98,463	674,769	15%	7%
2013								
R Dobinson[1]	278,000	57,600	-	-	-	335,600	0%	17%
B Parncutt	60,000	-	5,400	-	-	65,400	0%	0%
R Barrow	60,000	-	5,400	-	-	65,400	0%	0%
	398,000	57,600	10,800	-	-	466,400	0%	12%

* Bonus relates to the achievement of objectives for the financial year. The amount of bonus earned was 40% of the maximum amount payable for the 2013/14 financial year and 60% for the 2012/13 financial year.
[1] Appointed Executive Chairman 1 July 2012.
[2] Appointed Non-Executive Director 1 October 2013.

Number of shares held by Key Management Personnel

Directors and Executives	Balance 1/07/2013	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2014
Directors					
R Dobinson[1]	1,372,593	-	-	-	1,372,593
B Parncutt	718,137	-	-	-	718,137
R Barrow	9,375	-	-	8,000	17,375
T Oldham[2]	6,000	-	-	9,750	15,750
Executives					
J Pilcher[3]	100,000	-	-	(100,000)	-
C Blower[4]	-	-	-	33,000	33,000
T Di Pietro[5]	7,000	-	-	3,290	10,290
N Webster[6]	-	-	-	6,100	6,100
Total	2,213,105	-	-	(39,860)	2,173,245

[1] Appointed Executive Director 1 July 2012.
[2] Appointed Non-Executive Director 1 October 2013.
[3] Resigned as Chief Financial Officer and Company Secretary 16 August 2013. Net change other reflects his departure from the company, not the actual sale of shares.
[4] Appointed Chief Operating Officer 16 August 2013 and resigned as Chief Operating Officer 15 August 2014.
[5] Appointed Chief Financial Officer and Company Secretary 16 August 2013.
[6] Appointed Commercial Director 1 July 2013.

REMUNERATION REPORT

Number of employee share options held by Key Management Personnel

Directors and Executives	Balance 1/07/2013	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2014
Directors					
R Dobinson[1]	-	600,000	-	-	600,000
B Parncutt	-	-	-	-	-
R Barrow	-	-	-	-	-
T Oldham[2]	-	-	-	-	-
Executives					
J Pilcher[3]	-	-	-	-	-
C Blower[4]	-	250,000	-	-	250,000
T Di Pietro[5]	-	175,000	-	-	175,000
N Webster[6]	-	175,000	-	-	175,000
Total	-	1,200,000	-	-	1,200,000

Employee share options granted to Executives during the 2014 financial year were issued on 31 July 2013 for no consideration, are immediately exercisable at $4.30, with a calculated fair value of 43 cents per option at date of issue and expire on 31 July 2016. Employee share options granted to R Dobinson were issued following the approval of shareholders at the company’s annual general meeting held on 21 November 2013. These options share the same terms as those granted to Executives. The fair value of the options issued to Ross Dobinson was calculated to be 16.4 cents per option.

[1] Appointed Executive Director 1 July 2012.
[2] Appointed Non-Executive Director 1 October 2013.
[3] Resigned as Chief Financial Officer and Company Secretary 16 August 2013.
[4] Appointed Chief Operating Officer 16 August 2013 and resigned as Chief Operating Officer 15 August 2014.
[5] Appointed Chief Financial Officer and Company Secretary 16 August 2013.
[6] Appointed Commercial Director 1 July 2013.

Voting and comments made at the company’s 2014 Annual General Meeting (AGM)

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

This is the end of the audited remuneration report.

DIRECTORS' REPORT

Rounding of Amounts

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

Signed in accordance with a resolution of the Directors.

....	……………………………….
R Dobinson	B Parncutt
Executive Chairman	Director
Melbourne	Melbourne
Dated this 20th day of August 2014	Dated this 20th day of August 2014

PITCHER PARTNERS

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ACRUX LIMITED AND CONTROLLED ENTITIES

In relation to the independent audit for the year ended 30 June 2014, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

S SCHONBERG

Partner

PITCHER PARTNERS

Melbourne

Date: 20 August 2014

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
Revenue	4	53,859	16,528
Foreign exchange gain		-	132
		53,859	16,660
Employee benefits expense	5	(2,346)	(2,084)
Share options expense		(638)	-
External research and development expenses	5	(756)	(752)
Directors' fees		(576)	(466)
Professional fees		(324)	(471)
Royalty expense		(1,827)	(533)
Occupancy expenses		(414)	(400)
Depreciation and amortisation expenses	5	(1,413)	(1,423)
Foreign exchange loss		(1,239)	-
Other expenses		(469)	(490)
		(10,002)	(6,619)
PROFIT BEFORE INCOME TAX		43,857	10,041
Income tax expense	6	(15,887)	(3,115)
PROFIT FOR THE YEAR		27,970	6,926
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,970	6,926
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of the parent	17	27,970	6,926
Non-controlling interest	18	-	-
		27,970	6,926
Basic earnings per share (cents per share)	8	16.80	4.16
Diluted earnings per share (cents per share)	8	16.80	4.16

The accompanying notes form part of these financial statements.

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	9	25,775	22,840
Receivables	10	5,604	6,825
TOTAL CURRENT ASSETS		31,379	29,665
NON-CURRENT ASSETS			
Plant and equipment	11	78	93
Intangible assets	12	21,764	23,137
TOTAL NON-CURRENT ASSETS		21,842	23,230
TOTAL ASSETS		53,221	52,895
CURRENT LIABILITIES			
Current tax payable	6	4,526	1,675
Payables	13	1,129	1,256
Short term provisions	14	401	331
TOTAL CURRENT LIABILITIES		6,056	3,262
NON-CURRENT LIABILITIES			
Deferred tax liabilities	6	5,097	2,860
Long term provisions	14	11	20
TOTAL NON-CURRENT LIABILITIES		5,108	2,880
TOTAL LIABILITIES		11,164	6,142
NET ASSETS		42,057	46,753
EQUITY			
Contributed equity	15	95,873	95,873
Reserves	17(a)	638	-
Retained earnings	17(b)	(54,454)	(49,120)
Equity attributable to the owners of Acrux Limited		42,057	46,753
Non-controlling interests	18	-	-
TOTAL EQUITY		42,057	46,753

The accompanying notes form part of these financial statements.

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance as at 1 July 2012		95,825	4	(42,726)	53,103
Profit for the period		-	-	6,926	6,926
Total comprehensive income for the year		-	-	6,926	6,926
Transactions with owners in their capacity as owners:					
Contributions	15(b)	48	-	-	48
Employee Share Options Expense	17(a)	-	(4)	-	(4)
Dividends Paid	7	-	-	(13,320)	(13,320)
Total transactions with owners in their capacity as owners		48	(4)	(13,320)	(13,276)
Balance as at 30 June 2013		**95,873**	**-**	**(49,120)**	**46,753**
Balance as at 1 July 2013		95,873	-	(49,120)	46,753
Profit for the period		-	-	27,970	27,970
Total comprehensive income for the year		-	-	27,970	27,970
Transactions with owners in their capacity as owners:					
Contributions	15(b)	-	-	-	-
Employee Share Options Expense	17(a)	-	638	-	638
Dividends Paid	7	-	-	(33,304)	(33,304)
Total transactions with owners in their capacity as owners		-	638	(33,304)	(32,666)
Balance as at 30 June 2014		**95,873**	**638**	**(54,454)**	**42,057**

The accompanying notes form part of these financial statements.

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN 72 082 001 152
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated Entity 2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from product agreements		53,425	12,528
Payments to suppliers and employees		(6,737)	(4,833)
Interest received		450	1,248
Grant income received		21	36
Taxes paid		(10,788)	(2,644)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	19(a)	36,371	6,335
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(39)	(30)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(39)	(30)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issues of ordinary shares		-	46
Dividends paid		(33,346)	(13,413)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(33,346)	(13,367)
NET INCREASE/(DECREASE) IN CASH HELD		2,986	(7,062)
Foreign exchange differences on cash holdings		(51)	(115)
Add cash at the beginning of the year		22,840	30,017
CASH AT END OF YEAR	19(b)	25,775	22,840

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of presentation of the financial report

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

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

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

Compliance with IFRS

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

Historical Cost Convention

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

Critical accounting estimates

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

(b) Going Concern

The financial report has been prepared on a going concern basis.

During the year ended 30 June 2014 the consolidated entity reported an operating profit after tax of $28.0 million (2013: $6.9 million) and at the reporting date total assets exceeded total liabilities by $42.1 million (2013: $46.8 million).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which the parent controls. The group controls an entity where it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to effect those returns through its power over the entity.

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

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

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

(d) Revenue

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

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

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

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

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

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

(e) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Plant and equipment

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

Depreciation
The depreciable amount of all fixed assets are calculated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2014	2013
Leasehold improvements:	Not Applicable	Not Applicable
Plant and equipment:	2.5 to 14 years	2.5 to 14 years

(g) Leases

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

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

(h) Intangibles

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangibles (Continued)

Research and Development
Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when each of the following specific criteria has been satisfied:

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

Capitalised development costs have a finite life and are amortised on a systematic basis over the period from when the product becomes available for use and cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5 and the date that the asset is derecognised.

The estimated useful life and total economic benefit for each asset are reviewed at least annually. The useful life of capitalised development costs for Axiron, for which amortisation has commenced, is approximately 18 years. Amortisation expense is included in ‘Depreciation and amortisation expenses’ of the Statement of Comprehensive Income.

(i) Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income tax

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

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

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

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

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

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

The subsidiary companies of Acrux Limited are subject to the general corporate company tax rate of 30%. At 30 June 2014 Acrux Limited's tax paying subsidiaries had utilised all accumulated tax losses. The majority of the consolidated entity's taxable income is earned by these subsidiary companies.

Income tax expense for the financial year was $15.9 million (2013: $3.1 million) representing approximately 36% of profit before income tax. The parent entity, Acrux Limited, received unfranked dividends totaling $19.5 million from subsidiary Acrux DDS Pty Limited during the reporting period. These dividends are taxable income for Acrux Limited but are not allowable tax deductions for Acrux DDS Pty Limited. These dividends utilised all carried forward tax losses of the parent entity. The parent entity also received franked dividends totaling $14.0 million from subsidiary companies. The parent entity's tax rate payable on this income is 15% however the franked dividends include an imputed tax credit of 30%. The excess franking credits convert to tax losses that can be used in future periods to offset taxable income. For accounting purposes the entity has not recognised a tax asset for these carried forward tax losses as the current operating structure of the entity is unlikely to produce the quantum of future taxable income to enable Acrux Limited to utilise these carried forward losses. If not for these transactions income tax expense would represent approximately 30% of profit before income tax. It should be noted that the income tax expense recognised by Acrux Limited for the unfranked dividends received does not translate to a liability to pay income tax on those dividends as the parent entity utilised prior period carried forward tax losses and excess franking credits attached to franked dividends received in the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income tax (Continued)

For future reporting periods the consolidated entity's income tax expense is likely to represent approximately 30% of profit before income tax.

(k) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

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

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

Share-based payments
The consolidated entity operates an employee share option plan. The fair value of the options is recognised as an expense in the Statement of Comprehensive Income in the period(s) during which the employee becomes entitled to exercise the options. The fair value of options at grant date is determined using a Binomial option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option (the vesting period).

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

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

(l) Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments

Non Derivative Financial Instruments
Financial Assets
Non-derivative financial assets consist of trade and other receivables and cash and cash equivalents. Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment. Trade receivables are carried at full amounts due less any provision for impairment. A provision for impairment is recognised when collection of the full amount is no longer probable. Amounts receivable from other debtors are carried at full amounts due. Other debtors are normally settled 30 days from month end unless there is a specific contract, which specifies an alternative date. Amounts receivable from related parties are carried at full amounts due.

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

Financial Liabilities
Non-derivative financial liabilities include trade payables, other creditors and inter-company balances.

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

Derivative Financial Instruments
The consolidated entity has used and could continue to use derivative financial instruments to hedge its risk exposures from foreign currency exchange rate movements.

Such derivatives are measured at fair value and changes in value are recognised immediately in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Foreign currency translations and balances

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

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

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

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

(o) Goods and services tax (GST)

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

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

(p) Rounding amounts

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

(q) Adoption of new and amended accounting standards that are first operative at 30 June 2014

(i) AASB 10: Consolidated Financial Statements

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated entity concluded that the adoption of AASB 10 did not change the consolidation status of its subsidiaries. Therefore, no adjustments to any of the carrying amounts were required.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Adoption of new and amended accounting standards that are first operative at 30 June 2014 (Continued)

(ii) AASB 12: Disclosure of Interests in Other Entities

AASB 12 sets new minimum disclosure requirements for interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures required under AASB 12 are provided in Note 27: Controlled entities.

(iii) AASB 13: Fair Value Measurement

AASB 13 introduces a fair value framework for all fair value measurements as well as the enhanced disclosure requirements. Application of AASB 13 does not materially change the company's fair value measurements.

(iv) AASB 119: Employee Benefits

The amendments to AASB 119 revise the definitions of short term and long term employee benefits, placing the emphasis on when the benefit is expected to be settled rather than when it is due to be settled. The group has assessed its impact and concludes that the adoption of AASB 119 has no material effect on the amounts recognised in current or prior years.

(r) Accounting standards and interpretations issued but not operative at 30 June 2014

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

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

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

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

The consolidated entity does not expect to adopt the new standard before its operative date. It would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income tax

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

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

(b) Impairment Testing

The Company uses discounted cash flow models to determine that the parent entity's investments in and loans to its subsidiaries, and the capitalised development costs in the consolidated entity, are not being carried at a value that is materially in excess of recoverable value. The models value each product or potential product by estimating future cash flows and discounting the future net cash flows for the probability of successful commercialisation, as well as for the time value of money using a discount rate of 12%. Revenue from a product is estimated using current market data and projections of market growth and potential market share.

(c) Employee Benefits

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

(d) Share based payments

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The consolidated entity is exposed to a variety of financial risks comprising:
(a) Interest rate risk
(b) Currency risk
(c) Credit risk
(d) Liquidity risk
(e) Fair Values
The board of directors have overall responsibility for identifying and managing operational and financial risks.

(a) Interest Rate Risk

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

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at 30 June 2014 are shown in the table on the following page. Cash is the only financial asset or liability that is exposed to interest rate risk. A change in the average effective interest rate of 1% applied to the cash balances at 30 June 2014 of $25.8 million would change the net profit and equity of the consolidated entity by approximately $0.2 million (2013: $0.2 million).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

At 30 June 2014, the consolidated entity had financial instruments with carrying amounts as shown in the following table:

Financial Instruments	Floating interest		Fixed interest rate maturing in: 1 year or less		Non interest		Total carrying as per the Balance Sheet		Weighted effective interest rate	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%	%
(i) Financial assets										
Cash	2,774	3,486	23,000	19,353	1	1	25,775	22,840	3.4	3.9
Receivables	-	-	-	-	5,604	6,825	5,604	6,825		
Total financial assets	2,774	3,486	23,000	19,353	5,605	6,826	31,379	29,665		
(ii) Financial liabilities										
Trade creditors	-	-	-	-	217	135	217	135		
Sundry creditors and accruals	-	-	-	-	912	1,121	912	1,121		
Total financial liabilities	-	-	-	-	1,129	1,256	1,129	1,256		

The net fair value of the financial assets and financial liabilities at 30 June 2014 was not materially different to the carrying amounts as disclosed in the balance sheet and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(b) Currency risk

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

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

Bank accounts denominated in US dollars are maintained in order to facilitate receipts and payments. Cash reserves at 30 June 2014 included $0.2 million (2013: $0.7 million) denominated in US dollars. A change of 10% in the AUD/USD exchange rate at 30 June 2014 would have immaterial impact on the net profit and equity of the consolidated entity.

The balance of receivables at 30 June 2014 includes the right to receive US$5.2 million (2013: US$5.2 million) of Axiron royalties for the fourth quarter of the 2013/14 financial year. A change of 10% in the AUD/USD exchange rate at 30 June 2014 would change the consolidated net profit and equity by approximately $0.6 million (2013: $0.6 million).

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

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

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

Buy Australian Dollars	Sell United States Dollars		Average Exchange	
	2014	2013	2014	2013
	$'000	$'000	$	$
Less than 6 months	-	2,000	-	1.0309

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(c) Credit risk

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

Cash reserves form the majority of the consolidated entity's financial assets at 30 June 2014. Acrux Limited is a Pooled Development Fund. The Pooled Development Fund Act restricts the investment of cash reserves to deposits with an Australian bank licensed to take deposits. This policy is also followed for all cash held by the other companies within the consolidated entity. At 30 June 2014, cash was deposited with two different banks in order to spread risk and ensure interest rate competitiveness.

At 30 June 2014 the consolidated entity had a material credit risk exposure to Eli Lilly and Company and its subsidiaries. The receivables recorded on the consolidated entity's balance sheet contains an amount of $5.5 million due from Eli Lilly under the license agreement for the commercialisation of Axiron. During future reporting periods, the consolidated entity is expected to continue to have a material credit exposure to Eli Lilly and Company and its subsidiaries, due to the royalties and milestone payments expected. At 30 June 2014, Eli Lilly's credit ratings were AA- (S&P) and A2 (Moodys). The credit rating and financial health of Eli Lilly are monitored regularly. The grant of the license under the license agreement is subject to payment by Eli Lilly of the amounts in accordance with the agreement.

The consolidated entity had a credit risk exposure at the end of the comparative period, in relation to derivative financial instruments, arising from the potential failure by counterparties to the contract to meet their obligations.

(d) Liquidity risk

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

The financial liabilities of the consolidated entity at the balance date are all expected to mature within three months of the balance date. The consolidated entity has sufficient cash reserves, $25.7 million (2013: $22.8 million) to settle these liabilities and to fund operating expenditure for the foreseeable future. The consolidated entity does not have an overdraft or loan facility. The maturity profile of the consolidated entity's cash term deposits is actively managed and compared with forecast liabilities to ensure that sufficient cash is available to settle liabilities as they fall due.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(e) Fair values

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Inputs for the asset or liability that are not based on observable market data

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

NOTE 4: REVENUE

	2014 $'000	2013 $'000
Revenues from operating activities		
Revenue from product agreements	53,368	15,549
Grant revenue	21	36
Total revenues from operating activities	53,389	15,585
Other revenues		
Interest	470	943
Total revenues from non-operating activities	470	943
Total revenues from continuing operations	53,859	16,528

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 5: PROFIT FROM CONTINUING OPERATIONS

	Notes	2014 $'000	2013 $'000
Profit from continuing operations before income tax has been determined after the following specific expenses:			
Employee benefits expense			
Wages and salaries		2,050	1,833
Workers' compensation costs		6	7
Superannuation costs		172	150
Payroll taxes		92	75
Training expenses		26	19
Total employee benefits expense		2,346	2,084
Depreciation of non-current assets			
Plant and equipment		40	51
Total depreciation of non-current assets		40	51
Amortisation of non-current assets			
Intellectual property		95	95
Research and development		1,278	1,277
Total amortisation of non-current assets		1,373	1,372
Total depreciation and amortisation expenses		1,413	1,423
Rental expense on operating leases		282	272
External research and development expenses		756	752

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 6: INCOME TAX

	2014 $'000	2013 $'000
(a) Income tax recognised in profit or loss:		
Current tax	13,749	3,391
Deferred tax	2,237	(644)
(Over)/under provision in prior years	(99)	368
Income tax expense/(credit) attributable to profit	15,887	3,115
(b) Reconciliation of income tax expense		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit before tax from continuing operations	43,857	10,041
Prima facie income tax payable on profit before income tax at 30.0% (2013: 30.0%)	13,157	3,012
Add/(subtract) tax effect:		
Parent entity 15% tax rate[1]	233	111
Parent entity tax on unfranked dividend income	2,925	1,350
Parent entity tax credit on franked dividend income	(3,000)	(963)
Non deductible expenses	128	4
Research and development tax incentive	(52)	(35)
Foreign tax credits written off	(10)	-
Over provision in prior years	(22)	(86)
Previously unrecognised tax losses	-	(279)
Tax losses and temporary differences not brought to account	2,518	-
	2,720	102
Income tax expense/(benefit) attributable to profit	15,877	3,115
(c) Current tax		
Opening balance	1,675	560
(Over)/under provision in prior years	(110)	368
Provision for current year	13,870	3,692
Tax losses transferred from deferred tax	(121)	(301)
Tax payments	(10,788)	(2,644)
Current tax (asset)/liability	4,526	1,675

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 6: INCOME TAX (Continued)

	2014 $'000	2013 $'000
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	-	2,629
Accruals and provisions	145	127
Leasehold improvements	195	205
Patent expenses	711	679
Exchange differences	15	37
Share issue expenses	1	1
	1,067	3,678
Deferred tax liabilities		
The balance comprises:		
Intangible assets	6,133	6,516
Accrued interest	31	22
	6,164	6,538
Net deferred tax assets/(liabilities)	(5,097)	(2,860)

	2014 $'000	2013 $'000
(e) Deferred tax assets not brought to account		
Temporary differences	10	(328)
Tax losses	8,311	5,834
	8,321	5,506

NOTE 7: DIVIDENDS

	2014 $'000	2013 $'000
(a) Dividends paid		
Dividends paid at 20 cents per share, unfranked (2013: 8 cents per share, unfranked)	33,304	13,320
Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years:	33,337	22,549

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 8: EARNINGS PER SHARE

	2014 $'000	2013 $'000
Profit from continuing operations	27,970	6,926
Profit used in calculating basic and diluted earnings per share	27,970	6,926
	No. of shares	**No. of shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	166,521,711	166,504,999
Effect of dilutive securities:		
Employee Share Options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	166,521,711	166,504,999
Basic earnings per share (cents)	16.80	4.16
Diluted earnings per share (cents)	16.80	4.16

NOTE 9: CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank	2,775	3,487
Deposits at call	23,000	19,353
	25,775	22,840

NOTE 10: RECEIVABLES

	2014 $'000	2013 $'000
CURRENT		
Trade receivables	5,347	6,591
Other receivables	141	115
Prepayments	116	119
	5,604	6,825

(a) Provision for impairment

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 11: PLANT AND EQUIPMENT

	Notes	2014 $'000	2013 $'000
Leasehold Improvements			
At cost		1,115	1,115
Accumulated amortisation		(1,115)	(1,115)
Total leasehold improvements	11(a)	-	-
Plant and Equipment			
At cost		166	168
Accumulated depreciation		(88)	(75)
Total plant and equipment	11(a)	78	93
Total plant and equipment		78	93

(a) Reconciliations

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

	2014 $'000	2013 $'000
Leasehold improvements		
Carrying amount at beginning	-	-
Additions	-	-
Amortisation expense	-	-
	-	-
Plant and equipment		
Carrying amount at beginning	93	110
Additions	25	38
Disposals	-	(4)
Depreciation expense	(40)	(51)
	78	93

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 12: INTANGIBLE ASSETS

	Notes	2014 $'000	2013 $'000
Intellectual Property			
At cost		1,200	1,200
Accumulated amortisation		(949)	(854)
	12(a)	251	346
Capitalised Development			
Ellavie™			
External research and development expenses		766	766
Employee benefits capitalised		169	169
Other capitalised amounts		136	136
	12(a)	1,071	1,071
Axiron™			
External research and development expenses		17,415	17,415
Employee benefits capitalised		3,353	3,353
Other capitalised amounts		2,403	2,403
Accumulated amortisation		(2,729)	(1,451)
	12(a)	20,442	21,720
Net carrying amount		21,513	22,791
Total intangible assets		21,764	23,137

(a) Reconciliations

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

	2014 $'000	2013 $'000
Intellectual Property		
Carrying amount at beginning	346	441
Amortisation expense	(95)	(95)
	251	346
Capitalised Development		
Ellavie TM		
Carrying amount at beginning	1,071	1,071
Additions	-	-
	1,071	1,071
Axiron TM		
Carrying amount at beginning	21,720	22,997
Additions	-	-
Amortisation	(1,278)	(1,277)
	20,442	21,720

The remaining useful life of Axiron Capitalised Development is approximately 16 years.

NOTE 13: PAYABLES

	2014 $'000	2013 $'000
CURRENT		
Trade creditors	217	135
Sundry creditors and accruals	912	1,121
	1,129	1,256

NOTE 14: PROVISIONS

	2014 $'000	2013 $'000
CURRENT		
Employee entitlements	401	331
NON-CURRENT		
Employee entitlements	11	20
Aggregate employee entitlements liability	412	351

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 15: CONTRIBUTED EQUITY

	2014		2013	
(a) Issued and paid up capital	**No. of Shares**	**$'000**	**No. of Shares**	**$'000**
Ordinary shares fully paid	166,521,711	95,873	166,521,711	95,873

	2014 No. of Shares	2014 $'000	2013 No. of Shares	2013 $'000
(b) Movements in shares on issue				
Beginning of the financial year	166,521,711	95,873	166,496,711	95,825
Issued during the year:				
- Employee share option plans	-	-	25,000	46
Less Capital Raising Expenses	-	-	-	(2)
Fair value of shares issued on exercise of employee share options	-	-	-	4
Contributions from share issues	-	-	25,000	48
At reporting date	166,521,711	95,873	166,521,711	95,873

(c) Share Options

Employee Share Option Plan

The consolidated entity operates an employee share option plan. During the financial year no options were exercised (2013: 25,000 options were exercised), 1,855,000 new options were issued under the plan during the financial year (2013: Nil). Options hold no participation rights, but shares issued on exercise of options rank equally with existing shares. At 30 June 2014 1,200,000 options were held by key management personnel.

The closing market value of an ordinary Acrux Limited share on the Australian Stock Exchange at 30 June 2014 was $1.01.

	2014 No.	2013 No.
(i) Movement in the number of share options held under Employee Share Option Plan are as follows:		
Opening balance	-	25,000
Granted during the year	1,855,000	-
Exercised during the year	-	(25,000)
Lapsed during the year	-	-
Closing balance	1,855,000	-

	$'000	$'000
(ii) Details of share options exercised during the year:		
Proceeds from shares issued	-	46
Fair value as at issue date of shares issued during the year	-	101

(iii) Details of lapsed options

No options lapsed during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 15: CONTRIBUTED EQUITY (Continued)

(d) Capital Management

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

During 2014, management paid dividends of $33.3 million (2013: $13.3). The amounts and ratio of future dividends have not been determined.

NOTE 16: SHARE BASED PAYMENTS

(a) Employee share option plan

Details of the options granted are provided below:

2014

Grant date	Expiry date	Exercise price	Balance at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
31/07/2013	31/07/2016	$4.30	-	1,255,000	-	-	1,255,000	1,255,000
21/11/2013	31/07/2016	$4.30	-	600,000	-	-	600,000	600,000
				1,855,000	-	-	1,855,000	1,855,000

The weighted average remaining contractual life for share options outstanding at the end of the period was 2.08 years.

No employee share options were granted in the 2013 financial year.

The fair value of the options granted on 31 July 2013 was 43 cents per option. Fair value was determined using the binomial option pricing model. The following inputs were utilised:
Exercise price: $4.30
Grant date: 31 July 2013
Expiry date: 31 July 2016
Share price at grant date: $3.35
Expected price volatility of the company's shares: 38%
Expected dividend yield: 5%
Risk-free interest rate: 2.52%

The fair value of the options granted on 21 November 2013 was 16 cents per option. Fair value was determined using the binomial option pricing model. The following inputs were utilised:
Exercise price: $4.30
Grant date: 21 November 2013
Expiry date: 31 July 2016
Share price at grant date: $2.56
Expected price volatility of the company's shares: 37%
Expected dividend yield: 5.0%
Risk-free interest rate: 3.08%

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 16: SHARE BASED PAYMENTS (Continued)

(b) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions was recorded within share options expense in the statement of comprehensive income were as follows:

	2014 $'000	2013 $'000
Options issued under the employee share option plan	638	-
Total expenses recognised from share based payment transactions	638	-

NOTE 17: RESERVES AND RETAINED EARNINGS

	Notes	2014 $'000	2013 $'000
Share based payment reserve	17(a)	638	-
Retained earnings	17(b)	(54,454)	(49,120)

(a) Share based payment reserve

(i) Nature and purpose of reserve

This reserve is used to record the value of equity benefit provided to employees and directors as part of their remuneration. Refer note 15 for details.

(ii) Movement in reserve

	2014	2013
Balance at the beginning of year	-	4
Transfer fair value of employee shares options to share capital	-	(4)
Employee share option expense for the period (including adjustment for service conditions not met)	638	-
Vested employee share options previously expensed, that lapsed during the period	-	-
Balance at end of year	638	-

(b) Retained earnings

	2014	2013
Balance at the beginning of year	(49,120)	(42,726)
Vested employee share options that lapsed during the period	-	-
Net profit attributable to members of Acrux Limited	27,970	6,926
Accumulated losses at reporting date	(21,150)	(35,800)
Dividends paid	(33,304)	(13,320)
Accumulated losses at reporting date	(54,454)	(49,120)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 18: NON-CONTROLLING INTERESTS

	Notes	2014 $'000	2013 $'000
Non-controlling interests comprises:			
Contributed equity	18(a)	-	-
Retained earnings	18(b)	-	-
		-	-
(a) Non-controlling interests in issued and paid-up capital of controlled entities			
- Cosmeceutic Solutions Pty Ltd - Fully paid ordinary shares		-	-
(b) Retained earnings			
Opening balance		-	(51)
- Deregistration of Cosmeceutic Solutions Pty Ltd		-	51
Closing balance		-	-

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 19: CASH FLOW INFORMATION

	2014 $'000	2013 $'000
(a) Reconciliation of the cash flow from operations with profit after income tax:		
Profit from ordinary activities after income tax	27,970	6,926
Non-Cash Items		
Depreciation and amortisation	1,413	1,423
Share options expense	638	-
Unrealised foreign exchange gains	107	116
Changes in assets and liabilities		
Increase in tax liabilities	5,088	472
Decrease/(increase) in trade and other receivables	1,221	(2,952)
Increase/(Decrease) in payables	(127)	335
Increase in employee entitlements	61	15
	8,401	(591)
Net cash (outflows)/inflows from operating activities	36,371	6,335

(b) Reconciliation of cash

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

	2014 $'000	2013 $'000
– Cash at bank	2,775	3,487
– At call deposits with financial institutions	23,000	19,353
Closing cash balance	25,775	22,840

(c) Credit stand-by arrangement and loan facilities

The consolidated entity has credit card facilities with the National Australia Bank and American Express available to the extent of $101,000 (2013: $81,000). As at 30 June 2014 the consolidated entity had unused facilities of $93,153 (2013: $67,079).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 20: COMMITMENTS

	2014 $'000	2013 $'000
Lease expenditure commitments		
Operating leases (non-cancellable)		
(i) Non cancellable operating leases contracted for but not capitalised in the accounts:		
(ii) Minimum lease payments		
– Not later than one year	294	258
– Later than one year and not later than five years	908	-
– Aggregate lease expenditure contracted for at reporting date	1,202	258

The operating lease relates to office, laboratory and warehouse facilities for which the lease was renewed by Acrux DDS Pty Ltd for a period of 4 years from 1 June 2014, with an option to extend for a further period of 4 years. The lease contract contains market review clauses in the event that Acrux DDS Pty Ltd exercises its option to renew. The company does not have an option to purchase the leased asset at the expiry of the lease period.

NOTE 21: KEY MANAGEMENT PERSONNEL COMPENSATION

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

Compensation by category:	2014 $'000	2013 $'000
Short-term employment benefits	1,219	961
Post-employment benefits	69	44
Termination benefits	-	-
Equity	356	-
	1,644	1,005

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 22: LOANS TO KEY MANAGEMENT PERSONNEL

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

NOTE 23: RELATED PARTY DISCLOSURES

Wholly-owned group transactions
Loans
Loans were made by Acrux Limited to its subsidiaries under normal terms and conditions. The aggregate amounts receivable from controlled entities by the parent entity at the end of the reporting period were nil (2013: nil).

Non-interesting bearing loans were made by Acrux Commercial Pty Ltd to its subsidiary, Fempharm Pty Ltd. The aggregate amount receivable from Fempharm Pty Ltd at the end of the reporting period was $4,486,184 (2013: $6,089,596).

Other transactions with Key Management Personnel and their personally-related entities
Acrux DDS Pty Ltd, a wholly owned subsidiary of Acrux Limited, entered into two research and commercialisation collaboration agreements with Hexima Limited on 8 October 2013. Ross Dobinson is the Executive Chairman of Hexima Limited. During the reporting period Acrux DDS Pty Ltd received $5,260.37 (2013: Nil) from Hexima for the reimbursement of expenses directly related to the collaboration agreements. At the end of the reporting period there were no amounts outstanding to be paid to or received from Hexima.

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

NOTE 24: AUDITOR'S REMUNERATION

	2014 $'000	2013 $'000
Amounts paid and payable to Pitcher Partners for:		
(i) Audit and other assurance services		
– An audit or review of the financial report of the entity and any other entity in the consolidated entity	92	101
– Other assurance services	-	-
	92	101

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 25: SEGMENT INFORMATION

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

Additional information on revenue:

	2014 $'000	2013 $'000
Product/Service		
Axiron	52,528	14,557
Other revenue	1,331	2,103
Total revenue	53,859	16,660
Country of Origin		
Australia	491	979
Outside Australia:		
Switzerland	52,528	14,260
United States	169	407
Other	671	1,014
	53,859	16,660

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 26: PARENT ENTITY DETAILS

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

	Parent Entity	
	2014	**2013**
	$'000	**$'000**
(a) Summarised statement of financial position		
Assets		
Current assets	523	1,277
Non-current assets	19,000	21,527
Total assets	19,523	22,804
Liabilities		
Current liabilities	296	441
Non-current liabilities	-	-
Total liabilities	296	441
Net assets	19,227	22,363
Equity		
Share capital	95,873	95,873
Current year earnings	29,530	12,484
Retained earnings	(106,814)	(85,994)
Share based payments reserve	638	-
Total equity	19,227	22,363
(b) Summarised statement of comprehensive income		
Profit for the year	29,530	12,484
Other comprehensive income for the year	-	-
Total comprehensive income for the year	29,530	12,484

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2014

NOTE 27: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2014	2013
Parent Entity:			
Acrux Limited	Australia		
Subsidiaries of Acrux Limited			
Acrux DDS Pty Ltd	Australia	100%	100%
Acrux Pharma Pty Ltd	Australia	100%	100%
Acrux Commercial Pty Ltd	Australia	100%	100%
Cosmeceutic Solutions Pty Ltd	Australia	-	-

Cosmeceutic Solutions Pty Ltd was deregistered on 8 August 2012.

Subsidiaries of Acrux Commercial Pty Ltd			
Fempharm Pty Ltd	Australia	100%	100%

NOTE 28: CONTINGENCIES

There were no contingencies at 30 June 2014 (2013: Nil).

NOTE 29: SUBSEQUENT EVENTS

There has been no other matter or circumstance, which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2014, of the consolidated entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2014, of the consolidated entity.

NOTE 30: COMPANY DETAILS

The registered office of the company is:

Acrux Limited
103 – 113 Stanley Street
West Melbourne VIC 3003

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 20 to 55 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the executive chairman and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

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

R Dobinson
Executive Chairman

Melbourne
Dated this 20th day of August 2014

B Parncutt
Director

Melbourne
Dated this 20th day of August 2014

PITCHER PARTNERS

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ACRUX LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of Acrux Limited and controlled entities and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

PITCHER PARTNERS

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ACRUX LIMITED AND CONTROLLED ENTITIES

Independence

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

Opinion

In our opinion:

(a) the financial report of Acrux Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Acrux Limited and controlled entities for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

S SCHONBERG
Partner

Date: 20 August 2014

PITCHER PARTNERS
Melbourne