



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

**FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2014**

This half-year financial report is to be read in conjunction  
with the financial report for the year ended 30 June 2014



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**FINANCIAL REPORT FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2014**

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**DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Acrux Limited and the entities it controlled, for the half-year ended 31 December 2014 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

**Directors' names**

The names of the Directors in office at any time during or since the end of the half-year are:

<b>Name</b>	<b>Period of Directorship</b>
R Dobinson (Executive Chairman)	Director since 19 March 1998
B Parncutt	Director since 30 April 2012
R Barrow	Director since 1 April 2012
T Oldham	Director since 1 October 2013
M Kotsanis	Director since 3 November 2014

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

**Review of operations**

During the period, the Directors endorsed the Strategic Plan of the consolidated entity, providing clarity and focus to the business to support future growth. Expansion of the product pipeline is critical to provide income diversification and remains a key priority for the business. Progress to date has been encouraging, with a wide variety of projects explored to further exploit our existing intellectual property. A number of development initiatives have been reviewed for market feasibility and initial laboratory research completed. The Directors regularly review projects and will update the market when progress is made. The two Hexima projects remain on hold, pending resolution of our dispute.

The Company continues to scope the acquisition of new technology, licensing and acquisition opportunities. Screening of a number of opportunities has commenced to assess technical and financial feasibility.





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Axiron sales by our partner Eli Lilly over the six months ended 31 December 2014 were US\$83.9M compared to US\$94.5M over the same period last year. Although generic alternatives to existing brands have been launched, these generics are not substitutable for Axiron and have not impacted market share to date. Axiron maintained stable market share throughout the 2014 calendar year (13.9% for the month of December 2014). The key driver for total market decline was the initial Food and Drug Administration (FDA) assessment of cardiac risk outcomes in 2014. A European Medicines Agency (EMA) investigation and statement was released in October 2014, titled "No consistent evidence of an increased risk of heart problems with testosterone medicines". The Company awaits the FDA statement.

The consolidated entity's profit before tax for the half-year was \$10.3 million (2013: \$38.4 million), the variance being primarily attributable to a US\$25M milestone earned when calendar year Eli Lilly sales exceeded US\$100M. The Company is not eligible for a milestone payment for the 2014 calendar year sales. The consolidated entity's profit after tax was \$7.0 million (2013: \$24.6 million) with a tax expense of \$3.3 million (2013: \$13.8 million).

*Revenue*

Revenue for the half-year totalled \$14.2 million (2013: \$43.7 million). Royalty revenue from Axiron® totalled almost \$13.7 million (2013: \$14.4 million). No milestones were recognised during the 6 months ended 31 December 2014 (2013: \$28.8 million). Interest on cash deposits increased to \$0.3 million (2013: \$0.2 million). Foreign exchange gains added \$0.2 million to revenue (2013: \$0.1 million).

*Operating Expenses*

Total operating expenditure for the half-year decreased to \$3.9 million (2013: \$5.3 million). Royalty payments due to Monash Investment Trust decreased to \$0.5 million (2013: \$1.5 million), in-line with reduced product income. No employee share options were granted during the period (2013: \$0.6 million). Remaining costs totalled \$3.4 million (2013: \$3.2 million), the increase due to advisory and legal fees incurred to assist the Company's strategy execution.

*Income Tax*

Income tax expense of \$3.3 million (2013: \$13.8 million) was recorded for the reporting period, in line with the decrease in profit before tax. Further details of the income tax expense are provided at Note 2 of the financial report.

*Cash flow*

Net cash outflow for the half-year increased to \$10.0 million (2013: \$5.6 million). Inflows of cash from operating activities totalled \$3.2 million (2013: \$7.7 million) with receipts from product agreements and government contributing \$11.1 million (2013: \$13.3 million) to cash, while the payment of income taxes increased to \$5.3 million (2013: \$2.9 million).



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Cash outflow from financing activities was \$13.3 million (2013: \$13.3 million) representing the payment of 2014 final dividend to shareholders. Cash reserves at the end of the period were \$15.8 million (30 June 2013: \$25.8 million).

*Contributed Equity*

There were no changes to contributed equity during the reporting period.

The number of outstanding employee share options on issue at the end of the reporting period was 1,870,000 (30 June 2014: 1,870,000), representing 1.1% of the issued share capital. These options are exercisable at \$4.30 per share.

**Significant changes in the state of affairs**

There have been no significant changes in the consolidated group's state of affairs during and since the end of the reporting period.

**Auditor's independence declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report.

**After balance date events**

An Extraordinary General Meeting (EGM) was held on 3 February 2015, where members resolved to approve the CEO Share Option Plan which provided the issue of 2,000,000 Options to the CEO, Michael Kotsanis. These options have not been considered in the Diluted Earnings per Share calculation given the issue date is post 31 December 2014.

**Rounding of amounts to nearest thousand dollars**

The amounts contained in the Report and in the Financial Report have been rounded to the nearest thousand dollars (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:

Director.....  
Ross Dobinson

Dated this 25<sup>th</sup> day of February 2015



PITCHER PARTNERS

ACRUX LIMITED  
ABN 72 082 001 152  
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ACRUX LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 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.

This declaration is in respect of Acrux Limited and the entities it controlled during the period.

S SCHONBERG  
Partner

25<sup>th</sup> February 2015

PITCHER PARTNERS  
Melbourne



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED CONSOLIDATED  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	<b>Half-year</b>	
	<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
<b>Revenue and Other Income</b>		
Royalty Revenue	13,729	14,482
Milestone Revenue	-	28,833
Interest income	313	248
Other income	176	94
	<u>14,218</u>	<u>43,657</u>
<b>Less: Expenses</b>		
Employee benefits expense	1,298	1,238
Directors' fees	241	314
Share options expense	-	638
Depreciation and amortisation expenses	713	706
Occupancy expenses	207	201
External research and development expenses	382	292
Professional fees	368	151
Royalty expense	486	1,506
Other expenses	239	248
	<u>3,934</u>	<u>5,294</u>
<b>Profit before income tax expense</b>	<u><b>10,284</b></u>	<u><b>38,363</b></u>
Income tax expense	3,266	13,773
<b>Net profit from continuing operations</b>	<u><b>7,018</b></u>	<u><b>24,590</b></u>
<b>Total comprehensive income for the half year</b>	<u><b>7,018</b></u>	<u><b>24,590</b></u>

The accompanying notes form part of these financial statements





**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED CONSOLIDATED  
STATEMENT OF COMPREHENSIVE INCOME (Continued)  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	31 Dec	31 Dec
	2014	2013
	\$'000	\$'000
<b>Total comprehensive income attributable to members of the parent arises from:</b>		
Continuing operations	7,018	24,590
Discontinued operations	-	-
	<u>7,018</u>	<u>24,590</u>
<b>Earnings per share for profit attributable to the equity holders of the parent entity:</b>		
Basic earnings per share	\$0.04	\$0.15
Diluted earnings per share	\$0.04	\$0.15

The accompanying notes form part of these financial statements





**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

	<b>31 Dec 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Current assets</b>		
Cash and cash equivalents	15,792	25,775
Receivables	8,106	5,604
Other current assets	103	-
Total current assets	<u>24,001</u>	<u>31,379</u>
<b>Non-current assets</b>		
Plant and equipment	64	78
Intangible assets	21,078	21,764
Total non-current assets	<u>21,142</u>	<u>21,842</u>
<b>Total assets</b>	<u><b>45,143</b></u>	<u><b>53,221</b></u>
<b>Current liabilities</b>		
Payables	1,467	1,129
Current tax payable	2,583	4,526
Provisions	291	401
Total current liabilities	<u>4,341</u>	<u>6,056</u>
<b>Non-current liabilities</b>		
Provisions	15	11
Deferred tax liabilities	5,034	5,097
Total non-current liabilities	<u>5,049</u>	<u>5,108</u>
<b>Total liabilities</b>	<u><b>9,390</b></u>	<u><b>11,164</b></u>
<b>Net assets</b>	<u><b>35,753</b></u>	<u><b>42,057</b></u>
<b>Equity</b>		
Contributed capital	95,873	95,873
Reserves	638	638
Retained earnings	(60,758)	(54,454)
<b>Equity attributable to owners of Acrux Limited</b>	<u><b>35,753</b></u>	<u><b>42,057</b></u>
<b>Total equity</b>	<u><b>35,753</b></u>	<u><b>42,057</b></u>

The accompanying notes form part of these financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED CONSOLIDATED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

<b>Consolidated</b>	<b>Contributed equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance as at 1 July 2013</b>	<b>95,873</b>	<b>-</b>	<b>(49,120)</b>	<b>46,753</b>
Profit for the half-year as reported in 2013 financial statements	-	-	24,590	24,590
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>24,590</b>	<b>24,590</b>
<b>Transactions with owners in their capacity as owners:</b>				
Employee share scheme	-	638	-	638
Dividends paid	-	-	(13,322)	(13,322)
	-	<b>638</b>	<b>(13,322)</b>	<b>(12,684)</b>
<b>Balance as at 31 December 2013</b>	<b>95,873</b>	<b>638</b>	<b>(37,852)</b>	<b>58,659</b>
<b>Balance as at 1 July 2014</b>	<b>95,873</b>	<b>638</b>	<b>(54,454)</b>	<b>42,057</b>
Profit for the half-year as reported in 2014 financial statements	-	-	7,018	7,018
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>7,018</b>	<b>7,018</b>
<b>Transactions with owners in their capacity as owners:</b>				
Employee share scheme	-	-	-	-
Dividends paid	-	-	(13,322)	(13,322)
	-	-	<b>(13,322)</b>	<b>(13,322)</b>
<b>Balance as at 31 December 2014</b>	<b>95,873</b>	<b>638</b>	<b>(60,758)</b>	<b>35,753</b>

The accompanying notes form part of these financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED CONSOLIDATED  
STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	31 Dec	31 Dec
	2014	2013
	\$'000	\$'000
<b>Cash flow from operating activities</b>		
Receipts from product agreements and government	11,080	13,302
Payments to suppliers and employees	(2,947)	(3,048)
Interest received	368	293
Income tax paid	(5,271)	(2,855)
<b>Net cash provided by operating activities</b>	<b>3,230</b>	<b>7,692</b>
<b>Cash flow from investing activities</b>		
Payment for property, plant and equipment	(13)	(24)
<b>Net cash used in investing activities</b>	<b>(13)</b>	<b>(24)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(13,244)	(13,310)
<b>Net cash used in financing activities</b>	<b>(13,244)</b>	<b>(13,310)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,027)</b>	<b>(5,642)</b>
Foreign exchange differences on cash holdings	44	286
Cash and cash equivalents at beginning of half-year	25,775	22,840
<b>Cash and cash equivalents at end of the half-year</b>	<b>15,792</b>	<b>17,484</b>

The accompanying notes form part of these financial statements



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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014**

**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Acrux Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year financial report was authorised for issue by the Directors on 25 February 2015.

**(a) Basis of preparation**

This half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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 half-year 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.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2014 and the corresponding half-year except as described below in Note 1(b).

**(b) Summary of the significant accounting policies**

A number of new or amended accounting standards become applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.





**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**

**(c) Rounding amounts**

The Company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**(d) Accounting standards issued but not yet effective**

**AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the company recognised nil in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The company does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the company's accounting for financial liabilities.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce the costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2017 but is available for early adoption. The company has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The company has decided not to early adopt AASB 9 at 31 December 2014.



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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**

**AASB 15 Revenue**

AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The directors have not yet assessed the impact (if any) of changes in the standard above.

**NOTE 2: INCOME TAX**

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;
- 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 31 December 2014 Acrux Limited profit generating subsidiary companies had utilised all accumulated tax losses. The majority of the consolidated entity's taxable income is earned by these subsidiary companies. The consolidated entities tax rate for the 6 months ended 31 December 2014 is 31.7% and differs to the company tax rate of 30% due to tax losses not recognised as a deferred tax asset.



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**NOTE 3: DIVIDENDS**

	Half-year	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<b>(a) Dividends paid or declared</b>		
Dividends paid at 8 cents per share fully franked at 30% (2013: 8 cents per share, unfranked)	13,322	13,322

**NOTE 4: 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.

**Additional information on revenue:**

	Half-year	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<b>Product/Service</b>		
Axiron	13,674	42,534
Other revenue	544	1,123
<b>Total revenue</b>	14,218	43,657
<b>Country of Origin</b>		
Australia	336	248
Switzerland <sup>1</sup>	13,674	42,534
Other	208	875
<b>Total revenue</b>	14,218	43,657

All assets are located in Australia.

<sup>1</sup>Axiron revenue is receivable from a Swiss subsidiary of Eli Lilly.

The accompanying notes form part of these financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**NOTE 5: CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 December 2014.

**NOTE 6: SUBSEQUENT EVENTS**

An Extraordinary General Meeting (EGM) was held on 3 February 2015, where members resolved to approve the CEO Share Option Plan which provided the issue of 2,000,000 Options to the CEO, Michael Kotsanis. These options have not been considered in the Diluted Earnings per Share calculation given the issue date is post 31 December 2014.

There has been no other matter or circumstance which has arisen since 31 December 2014 that has significantly affected or may significantly affect:

- a) the operations, in financial periods subsequent to 31 December 2014, of the consolidated entity, or
- b) the results of those operations, or
- c) the state of affairs, in financial periods subsequent to 31 December 2014, of the consolidated entity.





**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**DIRECTORS' DECLARATION**

The Directors declare that the financial statements and notes set out on pages 6 to 15 in accordance with the *Corporations Act 2001*:

- Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- Give a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance for the half-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 is made in accordance with a resolution of the Directors.

**Ross Dobinson**

Non-Executive Chairman

Melbourne

Date 25/2/15



INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
ACRUX LIMITED

We have reviewed the accompanying half-year financial report of Acrux Limited and controlled entities, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Acrux Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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



INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
ACRUX LIMITED

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Acrux Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

S SCHONBERG  
Partner

25<sup>th</sup> February 2015

PITCHER PARTNERS  
Melbourne