30 September 2014

The Manager Companies
Australian Securities Exchange Limited
Company Announcements Office
Level 4 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Circadian Technologies Limited – Annual Report 2014 – Listing Rule 4.5.1

Attached is a copy of the Circadian Technologies Limited Annual Report 2014.

For and on behalf of
Circadian Technologies Limited

Mike Tonroe
Company Secretary

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ABN 32 006 340 567

circadian

2014 ANNUAL REPORT

Inside this report

"We are progressing development of our lead molecule, OPT-302, for the treatment of wet AMD, the leading cause of blindness in the western world in people aged over 55 years.

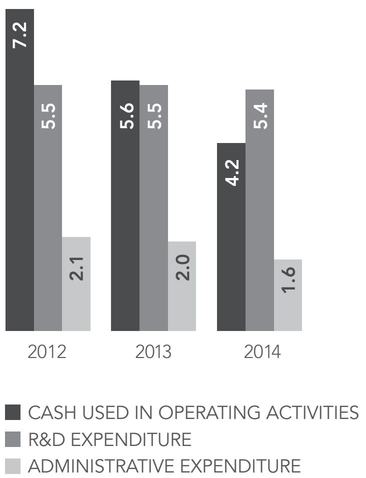
Wet AMD is a multi-billion-dollar market opportunity for which there is significant unmet medical need.

By developing OPT-302 as a combination therapy with existing standard of care agents, our strategy is to more effectively block the processes involved in wet AMD disease progression and improve outcomes for patients."

CASH AND EXPENDITURE

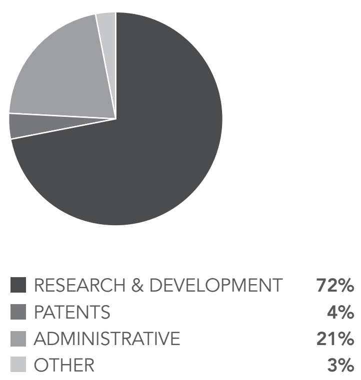
As of 30 June

$ Million



TOTAL OPERATING COSTS

Year ended 30 June 2014



Directors' report

The Board of Directors of Circadian Technologies Limited (Circadian or Company) submits its report for the year ended 30 June 2014 for Circadian and its subsidiaries (the Group).

INFORMATION ABOUT THE DIRECTORS

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

Dominique Fisher	Non-executive Chairman
Megan Baldwin	Managing Director and Chief Executive Officer (appointed 24 February 2014)
Tina McMeckan	Non-executive director
Russell Howard	Non-executive director (appointed 3 December 2013)
Robert Klupacs	Director (resigned 3 December 2013)
Don Clarke	Non-executive director (resigned 29 November 2013)

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

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

DOMINIQUE FISHER
BA(Hons), MAICD

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

MEGAN BALDWIN
PhD

Megan Baldwin joined Circadian's executive team in January 2008 and was appointed Managing Director and CEO in February 2014. Prior to joining Circadian, Dr Baldwin was employed at Genentech (now Roche), the world leader in the field of angiogenesis-based therapies for cancer and other diseases. Her experience included several years as a researcher in the group of leading angiogenesis expert Napoleone Ferrara, before moving to Genentech's commercial division and having responsibility for corporate competitive intelligence activities. In these roles, she developed extensive commercial and scientific knowledge in the field of anti-angiogenic and oncology drug development. Megan has a scientific background of more than 15 years, focused on angiogenesis and therapeutic strategies for cancer and ophthalmological indications. She holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research.

TINA McMECKAN
BLibArts&Sc, MBA, FAICD

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

RUSSELL HOWARD
PhD

Russell Howard was appointed to the Circadian Board of Directors in December 2013. Dr Howard has acted as a special advisor to the Board of Directors since 2012. He has extensive experience in the life sciences and biotechnology sectors. Dr Howard is Executive Chairman at Neuclone, a Sydney company developing bio-similar monoclonal antibody drugs. He is also the Founder and CEO of Oakbio, a biotechnology company based in California, developing breakthrough sustainable microbe-based technologies that convert CO_2 in waste gas into valuable chemical products. Previously, Dr Howard was Founder and CEO of Maxygen, President & Scientific Director at Affymax and he also previously served on advisory panels for WHO and USAID.

ROBERT KLUPACS
BSc(Hons), Grad Dip IP Law, MAIPA

Robert Klupacs joined Circadian Technologies Limited as an executive in August 2005 and was appointed as Managing Director of the Company on 1 March 2008. Robert resigned from the Board on 3 December 2013.

DON CLARKE
LLB(Hons)

Don Clarke was appointed a non-executive director of Circadian in September 2005. He was also Chairman of the Remuneration Committee and a member of the Audit and Risk Committee up to resigning as a director on 29 November 2013.

COMPANY SECRETARY

MIKE TONROE
BSc(Hons), ACA, MAICD

Mike Tonroe is a Chartered Accountant and was appointed as Chief Financial Officer and Company Secretary on 19 May 2014, following the resignation of Mark Pryn on this date (previously Steven Zammit resigned as Company Secretary on 9 September 2013). Mike is also the Company Secretary for Syngene Limited, Vegenics Pty Ltd and all other Circadian subsidiary companies.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Name	Company	Period of directorship
Ms D. Fisher	Pacific Brands Limited	Mar 2007 to Oct 2010
Mr D. Clarke	Webjet Limited	Since 2008
	Calzada Limited	Apr 2007 to Nov 2009
Ms T. McMeckan	AusNet Services Limited	Since 2010

DIRECTORS' INTERESTS

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

	Number of shares held directly	Number of shares held indirectly	Number of conditional rights over ordinary shares
Dominique Fisher	–	167,500	–
Megan Baldwin	10,674	–	200,000
Tina McMeckan	–	100,000	–
Russell Howard	–	–	–

SHARE OPTIONS AND PERFORMANCE RIGHTS

Unissued shares

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

Unissued ordinary shares:

Number of unissued ordinary shares nil

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

Conditional rights:

Issuing entity for all rights	Circadian Technologies Limited
Class of shares	Ordinary
Number of conditional rights	790,000
Exercise price	nil
Vesting date^	
Expiry date	31/3/2015

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

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

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

*The 520,000 conditional rights issued to Robert Klupacs were cancelled on 3 December 2013.

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

DIVIDENDS

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

PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

Circadian Technologies Limited's principal activity is to develop and commercialise therapies primarily for eye disease as well as for other serious diseases. These development activities are based on the extensive intellectual property portfolio covering key targets (Vascular Endothelial Growth Factors [VEGF]-C, -D and VEGF Receptor-3) for the treatment of diseases associated with angiogenesis, which has been accumulated in Circadian's 100% owned unlisted subsidiary Vegenics Pty Ltd. The therapeutic applications for the VEGF technology, which functions in regulating blood and lymphatic vessels (angiogenesis and lymphangiogenesis, respectively), are substantial and broad. As outlined in the Operations Report, considerable progress has been made with bringing Circadian's therapeutic development products to clinical testing stage.

OPERATING AND FINANCIAL REVIEW

Results

Financial Performance

The results for the period predominantly reflect the Group's investment in advancing its ophthalmic and cancer therapy programs OPT-302 and VGX-100.

A summary of the results is as follows:

- The consolidated net loss of the Group for the year was $3,989,618 after an income tax benefit of $2,859,403 (2013: loss of $5,004,506 after an income tax benefit of $1,558,009);
- Direct R&D expenditure (excluding personnel costs) amounted to $3,613,066 (2013: $3,436,660). Including personnel costs and other R&D support costs that are recognised through the administrative cost centre, total expenditure in R&D amounted to $5,445,034 (2013: $5,592,694);
- Royalty income of $603,152 (2013: $622,701);
- Patent costs of $336,154 (2013: $459,999).

Commensurate with the Group's strategy, the major expenditure of the Company has been in relation to R&D, in particular costs associated with the Phase I clinical trial of VGX-100 in oncology and pre-clinical evaluation of OPT-302 in animal models for eye disease.

Financial Position

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

- Consolidated cash balances as at 30 June 2014 amounted to $7,162,020 (2013: $11,003,941);
- Receivables at balance date of $2,705,858 (2013: $2,324,016) include the Circadian Group's expected refund of R&D tax incentives for the year to June 2014 of $2,292,038 (2013: $1,960,206);
- Available-for-sale financial assets amount to $2,275,421 (2013: $2,280,517) at balance date;
- The Group has a net current asset surplus of $8,216,001 (2013: $11,561,144);
- At 30 June 2014 the Circadian Group's net equity was $10,479,256 (2013: $14,358,946);
- The net tangible asset backing per share as at 30 June 2014 was $0.26 (2013: $0.33), whereas Circadian's share price was $0.19 (2013: $0.23);
- The Group retains interests in various listed investments; the largest of these is in Antisense Therapeutics Limited. The combined market value of these investments as at 30 June 2014 was $2,275,421 (2013: $2,280,517).

STRATEGY AND CORPORATE OBJECTIVES

Circadian is a biologics drug developer focusing on ophthalmic disease therapies through its 100% owned subsidiary Opthea Pty Ltd. Circadian controls exclusive worldwide rights to a significant intellectual property portfolio in respect of Vascular Endothelial Growth Factor (VEGF)-C, VEGF-D and VEGF receptor -3 (VEGFR-3).

Our strategy is to progress the development of Circadian's lead molecule, OPT-302, a soluble form of VEGFR-3 that acts as a VEGF-C/VEGF-D "trap". Blockade of VEGF-C and VEGF-D by OPT-302 inhibits blood and lymphatic growth, as well as vessel leakage, which are characteristic hallmarks of several eye diseases, including neovascular ("wet") age-related macular degeneration (AMD) and dry-eye disease.

Circadian is developing OPT-302 as a therapy for the treatment of wet AMD, the leading cause of blindness in the western world in people aged over 55 years. Wet AMD represents a multi-billion dollar market opportunity for which there is a significant unmet medical need.

Circadian's pipeline also includes a series of non-core assets that represent opportunity for value creation, including:

- **VGX-100:** a monoclonal antibody for VEGF-C that has completed enrolment in a Phase IA/IB clinical study in advanced cancer patients as a single agent and in combination with the VEGF-A inhibitor Avastin® (bevacizumab). This Phase II-ready asset is well positioned for commercialisation opportunities, including out-licensing or acquisition;
- **IMC-3C5:** Circadian has licensed rights to some parts of its intellectual property portfolio for the development of other products to ImClone Systems, a wholly-owned subsidiary of Eli Lilly and Company, including IMC-3C5, an antibody targeting VEGFR-3;
- **CUPGUIDE™:** partnered with Healthscope Limited, which is clinically validating, at Healthscope's expense, CUPGUIDE™, a diagnostic test for Cancers of Unknown Primary (CUP);
- **VEGF-D LAM Diagnostic:** partnered with Cincinnati Children's Hospital, an ELISA-based diagnostic test to measure circulating levels of VEGF-D to aid in the diagnosis of the rare lung disease lymphangioleiomyomatosis (LAM);
- **Research Reagents:** Circadian has non-exclusive licences in place with a number of research reagent suppliers for which Circadian receives royalties on sale of these reagents. In addition, Vegenics-branded VEGF-C/VEGF-D reagents are available for sale to the worldwide life science research community (www.vegenics.com).

With the recent completion of milestones in its non-core programs, as well as existing partnerships with Lilly and Healthscope, Circadian is able to strategically focus its cash and resources on advancing its eye disease program.

The key objective of Circadian's strategy is to return value to shareholders by:

- advancing our lead molecule, OPT-302, through development to value inflection points, and
- realising value from Circadian's non-core assets.

FUTURE DEVELOPMENTS

The likely development in the Group's operations, to the extent that such matters can be commented upon, include:

- progressing the OPT-302 non-clinical development program through to IND filing with the US Food and Drug Administration (FDA);
- initiation of clinical studies to evaluate the safety/tolerability and therapeutic efficacy of OPT-302 for the treatment of wet AMD;
- raising Opthea's profile through awareness of the unmet medical need for wet AMD and rationale for OPT-302 use in this setting;
- actively pursuing partnerships and commercialisation opportunities.

ADVANCING OUR THERAPEUTIC PRODUCT PIPELINE

Opthea Pty Ltd

OPT-302: a potent inhibitor of VEGF-C and VEGF-D for the treatment of wet AMD

Wet (neovascular) age-related macular degeneration, or wet AMD, is a disease characterised by the loss of vision in the middle of the visual field caused by degeneration of the central portion of the retina (the macula). Abnormal growth of blood vessels below the retina, and the leakage of fluid and protein from the vessels, cause retinal degeneration and lead to severe and rapid loss of vision if left untreated.

Wet AMD typically affects individuals aged 50 years or older, and is the leading cause of blindness in the developed world. The prevalence of AMD is increasing annually as the population ages.

Approved therapies for wet AMD target VEGF-A, but not VEGF-C or VEGF-D, and include the monoclonal antibody fragment Lucentis® (ranibizumab) and the soluble receptor Eylea® (aflibercept). In addition, the VEGF-A inhibitory antibody Avastin® (bevacizumab) that is approved as a cancer therapy is frequently used "off label" to treat wet AMD.

Sales of Lucentis® (Roche/Novartis) were over $US3BN in 2013. Sales of EYLEA® (Regeneron/Bayer), first marketed in November 2011 for the treatment of wet AMD, were $US1.4BN in 2013 and are forecast to reach $US1.7BN in 2014. Lucentis®, Eylea® and Avastin® are administered via injection directly into the vitreous humour of the eye. Ocular injections administer the drug directly to the disease site but currently need to be repeated monthly or bi-monthly. Despite having several advantages over other routes of administration, including topical delivery by eye drops, there is great opportunity for new therapies to reduce injection frequency and improve therapeutic efficacy and duration of patient responses in wet AMD.

Despite the availability of therapies targeting VEGF-A, a significant unmet medical need remains for wet AMD patients. Approximately half of the people receiving these therapies exhibit a sub-response and experience no significant gain in vision and/or have persistent fluid at the back of the eye. VEGF-C and VEGF-D represent novel and promising targets for the treatment of wet AMD as they stimulate blood vessel growth (angiogenesis), inflammation and vascular leakage that are associated with disease progression. Published studies have also indicated that VEGF-C and VEGF-D play an important role in mediating resistance to anti-VEGF-A therapy.

Opthea is developing OPT-302 as a combination therapy with standard of care anti-VEGF-A therapy in patients with wet AMD. Our strategy is to improve patient responses by targeting more than one factor involved in disease progression. Combination of OPT-302 with an anti-VEGF-A agent effectively blocks all signalling through VEGFR-2, the validated pathway involved in wet AMD disease progression. Complete blockade of this pathway cannot be achieved by an anti-VEGF-A drug used alone. OPT-302 also blocks activities driven through a distinct receptor, VEGFR-3, which can drive blood vessel growth.

Progress and Program Status

In May 2014, we presented data at the Association for Research in Vision and Ophthalmology (ARVO) 2014 conference in Orlando, demonstrating that OPT-302 can prevent the formation of wet AMD lesions and regress established lesions in the mouse pre-clinical model of wet AMD. The data, generated in collaboration with investigators at Schepens Eye Research Institute/Massachusetts Eye & Ear at Harvard Medical School, also demonstrated the comparable activity of OPT-302 to Eylea® in reducing lesion size and vessel leakage in the pre-clinical model. The data confirms the potential of OPT-302 as a novel therapeutic for the disease either as a single agent or as an adjunct to existing agents targeting VEGF-A.

In parallel, we continued to advance our manufacturing program with Patheon Biologics (formerly DSM Biologics), which will generate OPT-302 for use in clinical studies. On 23 June 2014, we announced that Opthea would be the first beneficiary of a Biopharmaceutical Development Fund (BDF) Grant from Biopharmaceuticals Australia Pty Ltd. The grant, which provided non-dilutive funding, offset costs associated with manufacturing OPT-302 at scale. Opthea also signed a commercial licence agreement with Selexis SA covering the use of the cell line used to produce OPT-302 (announced 14 January 2014).

Opthea progressed non-clinical studies to support an IND filing with the FDA to undertake clinical trials in AMD patients, and these studies continue. On 12 May 2014, we announced that Opthea had completed a Pre-IND Meeting with the US FDA. The meeting provided clarity on our development strategy for OPT-302 and marked a major step forward towards filing the IND for OPT-302. We continue to implement feedback from the FDA into our non-clinical studies and are on-track to file the IND and initiate a clinical trial in the first half of 2015.

Intellectual Property

In September 2014, the United States Patent and Trademark Office issued the official Notice of Allowance for US Patent Application No. 11/327,075. This case covers soluble VEGFR-3 trap constructs, such as OPT-302, based on extracellular domains 1–3 of VEGFR-3. Grant of the US patent, which is expected to occur early in 2015, will mean that this patent is granted in Europe, Japan, Canada and Australia. Due to the accrual of a substantial amount of patent term adjustment, the US patent is not expected to expire until 2026.

A new international patent application (PCT/AU2014/000114) was filed on 13 February 2014, directed at the specific OPT-302 molecule and uses thereof. This patent application has the potential to provide coverage for any use of OPT-302 out to 2034.

Ceres Oncology Pty Ltd

VGX-100: a monoclonal antibody targeting VEGF-C for oncology

On 2 June 2014, Circadian announced, through its 100% owned subsidiary Ceres Oncology Pty Ltd, that Phase I safety and clinical activity data demonstrating an encouraging clinical profile for VGX-100 in patients with advanced solid tumours was presented at the 50th Annual Meeting of the American Society of Clinical Oncology (ASCO) in Chicago (USA).

The Phase IA/B oncology clinical trial, run under an Investigational New Drug (IND) program with the FDA, enrolled 43 patients and was conducted in the USA at the University of Texas MD Anderson Cancer Center (Houston) and UCLA Hematology-Oncology (Santa Monica) as a dose escalation study of VGX-100 alone or in combination with the VEGF-A inhibitor Avastin® (bevacizumab).

Results from the clinical trial demonstrate that weekly intravenous administration of VGX-100 was well tolerated at all of the doses studied alone or in combination with Avastin® and provided first evidence of anti-tumour activity in patients with refractory or recurrent advanced late stage solid tumours without available therapeutic options. A best response of stable disease was seen in 14 of 39 evaluable subjects (36%), of which five patients (13%) showed durable stable disease for a period ≥ 16 weeks (tumour types: two colon, one ovarian, one cervical and one renal cell carcinoma). In addition, a patient with triple negative breast cancer had a 16% decrease in tumour disease at all sites (bone, lung, lymph nodes and skin) after eight weeks (two treatment cycles) with weekly VGX-100 (2.5 mg/kg) + Avastin® given every two weeks (10 mg/kg), before discontinuing the study in cycle 3.

Resistance and tumour escape to currently available anti-cancer drugs such as Avastin® remains a major challenge in the treatment of cancer patients. Results from the Phase IA/B clinical trial with VGX-100 are encouraging, with early evidence of anti-tumour activity in patients who failed to respond to standard treatment.

The completion of patient enrolment and presentation of clinical results represent significant value-adding milestones for the VGX-100 clinical development program. The asset is now well positioned for alternative commercialisation opportunities, including partnering, out-licensing or acquisition.

OUR TECHNOLOGY

VEGF-C, VEGF-D and VEGFR-3

Circadian's technology is centred on two members of the Vascular Endothelial Growth Factor (VEGF) family of proteins, VEGF-C and VEGF-D, and their activation of VEGF receptors. These proteins promote the key biological processes of blood vessel development (angiogenesis) by binding and activating VEGFR-2 and VEGFR-3, and lymphatic vessel development (lymphangiogenesis), by activation of VEGFR-3. In addition, VEGF-C is a potent inducer of vascular permeability or leakage.

Signalling through the VEGF-VEGFR pathway is recognised as the most important signalling pathway for angiogenesis and vascular permeability. Targeting the VEGF/VEGFR pathway directly targets the endothelial cells that line vessels.

The importance of this pathway in the pathogenesis of wet AMD and other eye diseases has been demonstrated by the clinical efficacy of anti-VEGF-A therapies (Lucentis®/Eylea®/Avastin®). These agents exhibit anti-angiogenic and anti-leakage activity by blocking the interaction of VEGF-A with the main angiogenic signalling receptor VEGFR-2. Targeting the VEGF/VEGFR pathway, and in particular signalling via VEGFR-2, is therefore a validated approach for the treatment of wet AMD. OPT-302 potently blocks VEGF-C and VEGF-D, which bind and activate VEGFR-2 and VEGFR-3.

Although VEGF-A inhibitors such as Lucentis® and Eylea® represent an advance for the treatment of the wet AMD and solid tumours in the oncology setting, there is a proportion of patients who do not respond to anti-VEGF-A therapy or who develop resistance to existing therapies over time. Consequently, there continues to be an unmet medical need for improved treatments. Resistance to existing VEGF-A inhibitors may be mediated by insufficient blockade of the VEGF/VEGFR pathway and ongoing angiogenesis and vascular leakage driven by VEGF-C and VEGF-D.

Importantly:

› Signalling through VEGFR-2 can be maintained by VEGF-C and VEGF-D, even in the presence of a VEGF-A inhibitor;

› Recent studies have demonstrated that levels of VEGF-C and/or VEGF-D can be upregulated in response to inhibition of VEGF-A with Avastin® or Eylea®;

› Blockade of VEGF-C and VEGF-D completely blocks signalling through VEGFR-3, which can also drive angiogenesis;

› Combination therapy with OPT-302 and an anti-VEGF-A agent provides a more complete blockade of the VEGF family. This strategy targets functional redundancy in the VEGF pathway and mechanisms of "escape" and resistance to VEGF-A inhibition.

Syngene Limited (51.7% owned)

Over the past year, Syngene has continued to undertake research and development activities in respect of the DiMiTech™ Platform Technology. The Company has also continued its trading activities in ASX listed biotech companies.

The DiMiTech™ Platform is a peptide therapeutic improvement platform based on the Nobel-prize-winning olefin metathesis chemistry of Professor Robert Grubbs. The technology involves replacement of disulphide bonds within peptide molecules with inherently more stable carbon-carbon bonds ("dicarba" bonds). The dicarba bonds "lock" the peptide molecules into their biologically active forms, mimicking the structures found in nature whilst conferring upon the peptide unique and beneficial biological properties.

The lead program within Syngene is directed at the preparation and evaluation of dicarba insulins for the treatment of diabetes. This program is supported by an ARC (Australian Research Council) Linkage Grant. Recombinantly produced human insulin has been commercially available to diabetics since 1982. Over the past 20 years, so-called "modern" insulins (i.e. insulin analogues) have entered the market, offering insulins with different therapeutic profiles to suit individual patient needs and lifestyles (e.g. rapid-acting insulins, long-acting insulins). Syngene is utilising its DiMiTech™ Platform to develop novel forms of insulin with advantages over the existing insulins on the market.

Syngene continues to prosecute and build on the DiMiTech™ Platform patent portfolio and is pleased to report the grant of a United States patent (US Patent No. 8,748,570) in June 2014 with broad claims to dicarba analogues of insulin. The term of this patent extends out to 25 May 2031.

An impairment of $500,000 of the DiMiTech™ Platform carrying value has been made in the accounts for the year ended 30 June 2014. The directors are of the view that this is consistent with the Company's treatment of its other research and development activities and represents prudent treatment of the asset's carrying value.

Over the past 12 months, Syngene liquidated stock in several of its investments in ASX listed biotech companies. At 30 June 2014, the Company had cash at bank of $360,858.

INHERENT RISKS OF INVESTMENT IN BIOTECHNOLOGY COMPANIES

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

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

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

Actual results of further research could differ from those projected or detailed in this report. As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these and other risks concerning the Group's research and development program referred to in this annual report for the year ended 30 June 2014.

REVIEW OF OPERATIONS

The Operating and Financial Review Report, which forms part of this Directors' Report, provides information regarding the consolidated entity's key corporate activities and the progress achieved during the 30 June 2014 financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity attributable to the owners of the Company reduced from $13,451,613 to $9,535,169, primarily as a result of ongoing operational expenditure as the Group progressed its research and development program.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

ENVIRONMENTAL REGULATIONS

The Group is not subject to significant environmental regulations.

INDEMNIFICATION AND INSURANCE

During the financial year ended 30 June 2014, the Company indemnified its directors, the company secretary and executive officers in respect of any acts or omissions giving rise to a liability to another person (other than the Company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the Company indemnified the directors, the company secretary and executive officers against any liability incurred by them in their capacity as directors, company secretary or executive officers in successfully defending civil or criminal proceedings in relation to the Company. No monetary restriction was placed on this indemnity.

The Company has insured its directors, the company secretary and executive officers for the financial year ended 30 June 2014. Under the Company's Directors' and Officers' Liabilities Insurance Policy, the Company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

DIRECTORS' MEETINGS

The number of meetings of directors and meetings of committees of the Board held during the year are set out below. Attendance by the directors at these meetings as relevant to each of them is as shown. It is the Company's practice to invite all directors to committee meetings irrespective of whether they are members.

		Meetings of committees	
	Directors' meetings	Audit and Risk	Remuneration
Number of meetings held	10	5	1
Number of meetings attended:			
Dominique Fisher	10	5	1
Megan Baldwin(i)	2	1	–
Tina McMeckan	10	5	1
Russell Howard(ii)	5	3	–
Don Clarke(iii)	4	2	–
Robert Klupacs(iii)	5	2	–

(i) Megan Baldwin attended six Board meetings and one Audit and Risk Committee meeting as an executive of the Company prior to being appointed as a director on 24 February 2014.

(ii) Russell Howard attended four Board meetings and one Audit and Risk Committee meeting in a consultancy capacity before being appointed as a director on 3 December 2013.

(iii) Don Clarke and Robert Klupacs were eligible to attend five board meetings and two Audit and Risk Committee meetings during the year.

COMMITTEE MEMBERSHIP

During the year, the Company had an Audit and Risk Committee and a Remuneration Committee.

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

Audit and Risk	Remuneration
T. McMeckan (Chairman)	D. Clarke (Chairman) (resigned 29 November 2013)
D. Fisher	D. Fisher (Chairman)
D. Clarke (resigned 29 November 2013)	T. McMeckan
R. Howard (appointed 3 December 2013)	R. Howard (appointed 3 December 2013)

AUDITOR INDEPENDENCE

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

NON-AUDIT SERVICES

Advice in respect of potential options for restructuring the Group was also provided by the entity's auditor, Deloitte Touche Tohmatsu.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

REMUNERATION REPORT (AUDITED)

This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2014.

This report provides a summary of the remuneration policies and practices adopted by Circadian during the 2014 financial year for directors and key management personnel as defined by the *Accounting Standards AASB124: Related Party Disclosures*. Key management personnel includes persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes all the executives in the parent and the Group.

Details of Key Management Personnel

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

(i) Directors

Dominique Fisher	Chairman (non-executive)
Megan Baldwin	CEO and Managing Director (appointed 24 February 2014)
Robert Klupacs	CEO and Managing Director (resigned 3 December 2013)
Don Clarke	Director (non-executive) (resigned 29 November 2013)
Tina McMeckan	Director (non-executive)
Russell Howard	Director (non-executive) (appointed 3 December 2013)

(ii) Executives

Richard Chadwick	Head of Intellectual Property
Mike Gerometta	Head of CMC Development
Ian Leitch	Head of Clinical Development
Mike Tonroe	CFO and Company Secretary (appointed 19 May 2014)
Steven Zammit	CFO and Company Secretary (resigned 9 September 2013)

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

Diversity

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

As at 30 June 2014, women comprise 50% of our workforce, 20% of our senior management positions and 67% of the non-executive positions on our Board.

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

Remuneration Committee

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

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

Remuneration Policy

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure and Performance

The Company's constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors will be determined from time to time by a general meeting. An amount (not exceeding the amount approved at the General Meeting) is determined by the Board and then divided between the non-executive directors as agreed. The latest determination was at the Annual General Meeting on 6 October 2005, when shareholders approved the aggregate maximum sum to be paid or provided as compensation to the non-executive directors as a whole (therefore excluding the Managing Director and any executive director) for their services as $500,000 per annum. Currently, non-executive directors are compensated to an aggregate of $200,975 per annum (2013: $237,902), which is inclusive of superannuation. The 2014 director fees are below 50% of the aggregate maximum sum approved by shareholders.

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

Each director receives a fee for being a director of the Company (currently ranging between $51,000 to $80,000 per annum).

Non-executive directors were not compensated by way of issue of securities in the Company during the year ended 30 June 2014. It is at a director's discretion as to whether they will purchase shares in the Company, on market, during the appropriate trading windows available throughout the year. The holdings of the directors are disclosed under the Directors' Interests section of the Directors' Report.

The Board is responsible for reviewing its own performance. Board performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months). The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: Board structure, Board role and responsibilities, strategy and planning, monitoring of Company performance and Board culture and relationships (amongst each director and with management). The compensation of non-executive directors for the years ended 30 June 2014 and 30 June 2013 are detailed in Table 1 of this report.

Executive Remuneration

Objective

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

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

Structure and Performance

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

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

- fixed remuneration (base salary and superannuation);
- variable remuneration:
  - short-term incentive (STI); and
  - long-term incentive (LTI).

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

The performance of the Managing Director and the other management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. The last Remuneration Committee meeting that included a review of remuneration structure for the management was held in May 2014. The key performance indicators for the financial year ending 30 June 2015 are expected to be approved by early October 2014.

Table 1 of this report sets out the remuneration of key management personnel (KMP) of the Company for the years ended 30 June 2014 and 30 June 2013, showing the proportion of fixed remuneration and variable remuneration.

The Remuneration Committee determined not to grant any STI or LTI to any of the KMP.

Fixed Remuneration

Objective

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

Structure

KMP fixed compensation comprises salary and superannuation and is reviewed every 12 months by the Remuneration Committee.

Variable Remuneration – Short-Term Incentive (STI)

Objective

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

Structure

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

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

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

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

STI bonus for the 2014 financial year

The Remuneration Committee considered the STI payment for the 2014 financial year in May 2014. The Remuneration Committee has determined there will be no STI bonus for the 2014 financial year.

Variable Remuneration – Long-Term Incentive (LTI)

Objective

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

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

Structure

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

The Remuneration Committee has determined there will be no LTI grants to KMP for the 2014 financial year.

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

Hedging of unvested options

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

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

Options issued in financial years 2007 to 2009

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

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

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

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

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

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

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

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

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

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

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

As at 30 June 2014, all options issued in 2007, 2008 and 2009 pursuant to the Option Plan have expired. This Option Plan has now been replaced by the Employee Conditional Rights Scheme below.

Conditional Rights issued in financial year 2011

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

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

› Milestone 1 – 33% of the rights will vest if either of the following occurs within 18 months:
  – if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed; or
  – annualised royalty income exceeds $2 million.

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

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

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

› the 10-day Volume Weighted Average Price (VWAP) of the shares is not less than $1.75 at any time;

› in the event of a sale, merger or takeover or other similar event as determined by the Board, provided that the sale, merger or takeover effective offer price per share as determined by the Board exceeds:
  – $1.30 per share if within 12 months of 4 March 2011;
  – $1.50 per share if within 24 months of 4 March 2011;
  – $1.75 per share if within 36 months of 4 March 2011; or
  – $2.00 per share if within 48 months of 4 March 2011.

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

Further information regarding the Conditional Rights Scheme can be obtained from Table 2 of the Remuneration Report and note 29 of the financial statements.

Shareholder Returns/Value

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

	2014 $	2013 $	2012 $	2011 $	2010 $
Revenue	**878,083**	1,153,687	1,485,832	1,834,467	2,251,462
Loss before tax	**(6,849,021)**	(6,562,515)	(7,308,526)	(11,043,282)	(6,838,738)
Loss after tax	**(3,989,618)**	(5,004,506)	(4,906,456)	(10,265,346)	(6,948,240)

	2014 $	2013 $	2012 $	2011 $	2010 $
Basic (loss)/earnings per share	**(0.08)**	(0.10)	(0.10)	(0.22)	(0.15)
Capital return per share	**–**	–	–	–	–
Dividends per share	**–**	–	–	–	–
NTA backing per share @ 30 June	**0.26**	0.33	0.41	0.47	0.70
Circadian share price @ 30 June	**0.19**	0.23	0.35	0.58	0.52

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

Employment Contracts

Dr Megan Baldwin, appointed CEO and Managing Director effective 24 February 2014, is employed under an ongoing contract. The current employment contract commenced on 24 February 2014. Under the terms of the present contract (including any subsequent Board approvals relating to fixed remuneration), Megan:

- receives fixed remuneration of $300,000 per annum;
- may resign from her position and thus terminate this contract by giving three months' notice. On resignation, any unvested LTI options or conditional rights will be forfeited.

The Company may terminate this employment agreement by providing:

- three months' notice; or
- payment in lieu of the notice period (as detailed above) based on the fixed component of Megan's remuneration.

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

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

Prior to her appointment as CEO and Managing Director, Megan was granted conditional rights to 200,000 ordinary shares in the Company in March 2011 and options to 200,000 ordinary shares in September 2008. Refer to "Options issued in financial years 2007 to 2009" above, for terms and conditions of the options granted that these options have now since lapsed. Refer to "Conditional Rights issued in financial year 2011" for terms and conditions of the rights granted.

All executives have ongoing contracts. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The notice period is determined by the employment agreement for each executive. On termination on notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.

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

Table 1: Remuneration of key management personnel for the year ended 30 June 2014 (Consolidated)

		Short-Term		Post Employment	Long-Term	Termination Benefits	Share-Based Payment	Total	Total Performance Related
		Salary and Fees $	Cash Bonus $	Super-annuation $	Long-Service Leave $	Termination Pay $	Conditional Rights $	$	%
Non-Executive Directors									
D. Clarke[1]	**2014**	**23,335**	**–**	**2,159**	**–**	**–**	**–**	**25,494**	**–**
	2013	56,004	–	5,040	–	–	–	61,044	–
D. Fisher	**2014**	**80,004**	**–**	**7,400**	**–**	**–**	**–**	**87,404**	**–**
	2013	80,004	–	7,200	–	–	–	87,204	–
E. Malta[2]	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2013	31,251	–	2,813	–	–	–	34,064	–
R. Howard[3]	**2014**	**29,619**	**–**	**2,740**	**–**	**–**	**–**	**32,359**	**–**
	2013	–	–	–	–	–	–	–	–
T. McMeckan	**2014**	**51,000**	**–**	**4,718**	**–**	**–**	**–**	**55,718**	**–**
	2013	51,000	–	4,590	–	–	–	55,590	–
Sub-Total Non-Executive Directors									
	2014	**183,958**	**–**	**17,017**	**–**	**–**	**–**	**200,975**	–
	2013	218,259	–	19,643	–	–	–	237,902	–
Executive Directors									
M. Baldwin[4]	**2014**	**270,385**	**–**	**24,157**	**–**	**–**	**12,373**	**306,915**	**4.03**
	2013	241,969	–	20,946	–	–	12,373	275,288	4.49
R. Klupacs[5]	**2014**	**365,970**	**–**	**33,852**	**–**	**70,233**	**(60,151)**	**409,904**	**-14.67**
	2013	397,572	–	35,781	–	–	26,013	459,366	5.66
Other Key Management Personnel									
I. Leitch	**2014**	**181,896**	**–**	**16,825**	**–**	**–**	**4,720**	**203,441**	**2.32**
	2013	181,896	–	16,371	–	–	4,720	202,987	2.33
M. Gerometta	**2014**	**182,232**	**–**	**16,857**	**–**	**–**	**9,838**	**208,927**	**4.71**
	2013	182,232	–	16,401	–	–	9,838	208,471	4.72
M. Tonroe[6]	**2014**	**24,526**	**–**	**2,269**	**–**	**–**	**–**	**26,795**	**0.00**
	2013	–	–	–	–	–	–	–	–
R. Chadwick	**2014**	**190,986**	**–**	**17,666**	**–**	**–**	**11,143**	**219,795**	**5.07**
	2013	167,966	–	15,117	–	–	11,143	194,226	5.74
S. Madden[7]	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2013	121,264	–	10,914	–	–	(16,162)	116,016	-13.93
S. Zammit[8]	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
	2013	62,769	–	5,649	–	–	–	68,418	0.00
Sub-Total Executive KMP									
	2014	**1,215,995**	**–**	**111,626**	**–**	**70,233**	**(22,077)**	**1,375,777**	–
	2013	1,355,668	–	121,179	–	–	47,925	1,524,772	–
Totals	**2014**	**1,399,953**	**–**	**128,643**	**–**	**70,233**	**(22,077)**	**1,576,752**	–
	2013	1,573,927	–	140,822	–	–	47,925	1,762,674	–

Table 1: Remuneration for the year ended 30 June 2014 (Consolidated) (continued)

1 D. Clarke resigned as a director on 29 November 2013.
2 E. Malta resigned on 1 October 2012.
3 R. Howard was appointed as a director on 3 December 2013.
4 M. Baldwin was appointed CEO and Managing Director on 24 February 2014. Megan had served as an executive of the Company from February 2008.
5 R. Klupacs resigned as CEO and Managing Director on 3 December 2013.
6 M. Tonroe was appointed as Chief Financial Officer and Company Secretary on 19 May 2014.
7 S. Madden resigned on 28 February 2013.
8 S. Zammit resigned as Chief Financial Officer and Company Secretary on 9 September 2013.
*No options have been exercised by the executive directors and other executives in the last nine years.

As at 30 June 2014, no options had vested or were exercised during the year as all options were "out-of-the-money" (exercise prices range between $1.00 and $1.50 whereas the Company's share price at 30 June 2014 was 19 cents).

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

Refer to note 29 of the financial report for details on the valuation of options and conditional rights.

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

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

1 Conditional rights will vest on satisfying either the three milestones, the share price condition or the sale transaction condition as set out above in the section 'Conditional Rights issued in financial year 2011'.

Table 3: Number of conditional rights held by Key Management Personnel (consolidated)

		Balance at beginning of period 1 July	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 June	Lapsed	Not exercisable[3] (i.e. not vested)
Executive Directors								
M. Baldwin[1]	**2014**	**200,000**	**–**	**–**	**–**	**200,000**	**–**	**200,000**
	2013	200,000	–	–	–	200,000	–	200,000
R. Klupacs[2]	**2014**	**520,000**	**–**	**–**	**(520,000)**	**–**	**–**	**–**
	2013	520,000	–	–	–	520,000	–	520,000
Other Executives								
I. Leitch	**2014**	**150,000**	**–**	**–**	**–**	**150,000**	**–**	**150,000**
	2013	150,000	–	–	–	150,000	–	150,000
M. Gerometta	**2014**	**160,000**	**–**	**–**	**–**	**160,000**	**–**	**160,000**
	2013	160,000	–	–	–	160,000	–	160,000
R. Chadwick	**2014**	**180,000**	**–**	**–**	**–**	**180,000**	**–**	**180,000**
	2013	180,000	–	–	–	180,000	–	180,000
Total	**2014**	**1,210,000**	**–**	**–**	**(520,000)**	**690,000**	**–**	**690,000**
	2013	1,210,000	–	–	–	1,210,000	–	1,210,000

1 M. Baldwin was appointed CEO and Managing Director on 24 February 2014.
2 R. Klupacs resigned as Managing Director on 3 December 2013. All conditional rights lapsed at the date of termination of employment with the Company.
3 These conditional rights have not legally vested and will only become exercisable on the achievement of the milestones described above.

Table 4: Ordinary shares held in Circadian Technologies Limited (number)

		Balance at beginning of period 1 July	Granted as remuneration	On exercise of options	Net change other	Balance at end of period 30 June
Directors						
M. Baldwin[1]	**2014**	**10,674**	**–**	**–**	**–**	**10,674**
	2013	–	10,674	–	–	10,674
R. Klupacs[2]	**2014**	**480,453**	**–**	**–**	**–**	**480,453**
	2013	272,254	88,226	–	119,973	480,453
D. Fisher	**2014**	**167,500**	**–**	**–**	**–**	**167,500**
	2013	167,500	–	–	–	167,500
D. Clarke[3]	**2014**	**80,000**	**–**	**–**	**–**	**80,000**
	2013	80,000	–	–	–	80,000
T. McMeckan	**2014**	**100,000**	**–**	**–**	**–**	**100,000**
	2013	70,000	–	–	30,000	100,000
E. Malta[4]	**2014**	**–**	**–**	**–**	**–**	**–**
	2013	70,000	–	–	(70,000)	–
Executives						
I. Leitch	**2014**	**8,299**	**–**	**–**	**–**	**8,299**
	2013	–	8,299	–	–	8,299
M. Gerometta	**2014**	**9,156**	**–**	**–**	**–**	**9,156**
	2013	–	9,156	–	–	9,156
R. Chadwick	**2014**	**6,146**	**–**	**–**	**–**	**6,146**
	2013	–	6,146	–	–	6,146
Total	**2014**	**862,228**	**–**	**–**	**–**	**862,228**
	2013	659,754	122,501	–	79,973	862,228

1 M. Baldwin was appointed CEO and Managing Director on 24 February 2014.

2 R. Klupacs resigned as CEO and Managing Director on 3 December 2013, held 480,453 shares at 30 June 2014.

3 D. Clarke resigned as a director on 29 November 2013, held 80,000 shares at 30 June 2014.

4 E. Malta resigned as a director on 1 October 2012.

Refer to Note 29 of the financial statements for further details of the share-based payment plans. There were no options or conditional rights granted or shares issued to key management personnel since the end of the financial year.

This report has been signed in accordance with a Resolution of the Directors made pursuant to S.298 (2) of the *Corporations Act 2001* on 30 September 2014.

For and on behalf of the Board:

Megan Baldwin
Director

Dominique Fisher
Director

Melbourne
30 September 2014

Management team

MEGAN BALDWIN, PhD
Chief Executive Officer and Managing Director

Dr Megan Baldwin has been appointed CEO and Managing Director effective 24 February 2014. Dr Baldwin brings over 18 years of experience focusing on angiogenesis and therapeutic strategies for cancer and ophthalmic indications. Since joining Circadian in 2008, she has held various positions, including Head of Preclinical R&D and Chief Executive Officer of Opthea Pty Ltd, the 100% owned subsidiary of Circadian, developing OPT-302 (formerly VGX-300) for the treatment of wet age-related macular degeneration. Prior to joining Circadian, Dr Baldwin was employed at Genentech (now Roche), the world leader in the field of angiogenesis-based therapies for cancer and other diseases. Her experience included several years as a researcher in the group of leading angiogenesis expert Napoleone Ferrara, before moving to Genentech's commercial division and having responsibility for corporate competitive intelligence activities. In these roles, she developed extensive commercial and scientific knowledge in the field of anti-angiogenic and oncology drug development. Megan has a scientific background of more than 15 years, focused on angiogenesis and therapeutic strategies for cancer and ophthalmological indications. She holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research.

RICHARD CHADWICK, PhD
Head of Intellectual Property

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

MIKE GEROMETTA, PhD
Head of CMC Development

Mike Gerometta has been with Circadian since December 2008 and is principally responsible for the outsourcing of Circadian's research and cGMP manufacturing activities. Mike has over 20 years' experience in the Australian biotechnology industry, most recently as Chief Operating Officer of Q-Gen, QIMR's translational research, manufacturing arm. He has also spent 19 years at Agen Biomedical, occupying a variety of positions and roles, most recently as Research and Product Development Director. In this role he was responsible for the chemistry, manufacturing and controls (CMC), pre-clinical program and patent management for Agen's ThromboView® project, a blood clot imaging agent. Previously, he has worked at Biotech Australia, Sydney, and together with earlier positions at Agen, developed numerous successful immunodiagnostic assays for the medical, veterinary and food industries across various diagnostic platforms for the laboratory and point-of-care. He was awarded his PhD in biotechnology from the Queensland University of Technology and has a degree in chemistry from the University of Technology in Sydney.

IAN LEITCH, PhD
Director – Clinical Research

Ian Leitch has been Director of Clinical Research of Circadian Technologies Ltd since September 2011. He has over 15 years of research and management experience from drug discovery through clinical development in biotechnology/pharmaceutical companies. For the five years prior to joining Circadian, he was a member of the Medical Sciences group at Amgen Inc in Thousand Oaks, California, involved in the development of novel therapeutics in Amgen's oncology pipeline. In his role as Senior Manager in the Early Development Oncology Therapeutic Area, he had responsibility for the oversight, design, management and execution of Phase I–II clinical studies in oncology. Prior to joining Amgen, he spent eight years at Miravant Medical Technologies in Santa Barbara, California. He held positions of increasing responsibility, including Senior Program Manager for Cardiovascular Research and Clinical Study Director for Ophthalmology. At Miravant, he managed pre-clinical efficacy studies, developed relationships with Key Opinion Leaders and designed Phase I–II clinical studies in a collaboration with the cardiovascular device company Guidant Inc. He previously held the position of NHMRC Senior Research Officer at the University of Newcastle, and was based at the John Hunter Hospital in Australia. He received his PhD from the Department of Pharmacology, Faculty of Medicine, at Monash University in 1993 and completed part of the degree at the University of California, Santa Barbara, as part of an Education Abroad Program Scholarship.

ANGUS TESTER, PhD
Senior Research Scientist

Angus Tester has held the position of senior research scientist at Circadian since February 2009. He is responsible for conducting pre-clinical research undertaken at the Circadian research laboratory, and for providing scientific support to the oncology and ophthalmology research and development programs. Angus completed his PhD in Biochemistry at Monash University and has over 15 years of experience working in the fields of cancer and biological research within laboratories located both in Australia and North America. He has gained extensive skills and experience in the development and optimisation of assays for screening and testing the Circadian compounds for their clinical utility and for the PK, PD and biomarker programs.

MIKE TONROE,BSc(Hons), ACA, MAICD
Chief Financial Officer

Mike Tonroe is a Chartered Accountant and was appointed Chief Financial Officer and Company Secretary in May 2014. Prior to joining Circadian, Mike was the Chief Financial Officer and Company Secretary at the Australian Synchrotron in Melbourne. Mike has over 20 years' experience of financial management in board-level positions for private and listed companies in Australia, UK, the US and Canada. Mike holds a Graduate Degree in Business Studies from Buckingham University and is a Member of the Australian Institute of Company Directors. Mike is also the Company Secretary for all of the Group's subsidiaries, including Syngene Limited and Vegenics Pty Ltd, and all other Circadian subsidiary companies.

Corporate Governance Statement

INTRODUCTION

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

On 2 August 2007, the Australian Securities Exchange (ASX) Corporate Governance Council released the *Corporate Governance Principals and Recommendations* (2nd edition) with the change in the reporting requirements applying to the Group's first financial year commencing on or after 1 July 2008. The Corporate Governance Statement details Circadian's corporate governance practices, including its compliance with the aforementioned requirements. This statement is current as at 22 August 2012 and should be read in conjunction with the Directors' Report within this annual report.

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

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

Circadian's corporate governance practices were in place throughout the year ended 30 June 2014 and were fully compliant with the Council's best-practice recommendations, except for the recommendation regarding the establishment of a Nomination Committee. The reason for not establishing this committee is explained in the section of this report headed "Structure of the Board".

For further information on corporate governance policies adopted by Circadian, refer to its website: **www.circadian.com.au**.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

Board functions and charter

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

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

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

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

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

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

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

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

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

› Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;

› ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and

› implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

› approval of the annual and half-yearly financial reports;

› approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;

› ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and

› reporting to shareholders.

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

Executive performance evaluation

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

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

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

The performance of the Managing Director and management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. A review of the remuneration structure for management was performed in May 2014 by the Remuneration Committee. This review was in accordance with the aforementioned process. A review of performance against KPIs occurred in May 2014 in accordance with the described policy. Further information on the Remuneration Committee can be found in the "Remuneration Report" section of the Directors' Report.

The Board Charter and the Performance Evaluation Process Policy are available from Circadian's website: www.circadian.com.au.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Structure of the Board

The Board as of 30 September 2014 consists of four directors, one of whom is an executive (Dr Megan Baldwin, CEO) and three of whom are non-executives. The skills, experience and expertise relevant to the position of director held by each director in office at the date of this report are included in the Directors' Report under the section headed "Directors". Directors of Circadian are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

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

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

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

Name	Position
D. Fisher	Chairman, non-executive director
T. McMeckan	Non-executive director
R. Howard	Non-executive director

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

Name	Term in Office
D. Fisher	9 years
M. Baldwin	7 months
T. McMeckan	6 years, 7 months
R. Howard	9 months

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

Director's access to independent professional advice

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

Board and committee performance

Board and committee performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months). Directors participated in an evaluation that was conducted in March 2012 of the Board's and committees' performance against specific qualitative performance criteria, some of which are measurable. The evaluation was performed with the use of questionnaires, self-evaluations and one-on-one interviews with directors and was designed to cover both the Board and also its committees. This was performed in accordance with the Company's Performance Evaluation Process Policy (as contained on the Company's website). The next evaluation is planned to be performed before the end of the 2015 financial year. The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: Board structure, Board role and responsibilities, strategy and planning, monitoring of Company performance and Board culture and relationships (amongst each director and with management).

Appointment of directors

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

› be of proven integrity with a history of relevant achievements that reflect high standards;

› demonstrate intelligence, wisdom and thoughtfulness in decision-making that usually will be based on broad experience;

› be able and willing to commit the time and energy necessary to attend to the Company's affairs, including attending Board and Board committee meetings;

› be committed to building sound, long-term growth in the value of the Company; and

› be able to objectively review and evaluate management's performance and implementation of strategy.

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

› the Board will consider from time to time changes that the Board believes to be desirable to the size of the Board or any committee thereof;

› where a Board vacancy exists (including a vacancy created by an increase in size of the Board), the Board will identify individuals believed to be qualified to become Board members to stand for election as directors at the Annual General Meeting of shareholders. In nominating candidates, the board shall take into consideration the qualifications of the candidate and the characteristics of the candidate to ensure that directors are of the highest standard. These factors may include judgement, skill, diversity, experience with businesses and other organisations of comparable size, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The Board may consider candidates proposed by management, but is not required to do so; and

› where a vacancy exists on any Board committee, the Board will appoint a director to that committee taking into consideration the factors set forth in the charter of the committee, if any, as well as any other factors it deems appropriate, including, without limitation, applicable legislative requirements, the consistency of the candidate's experience with the goals of the committee and the interplay of the candidate's experience with the experience of other committee members.

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

The Board Charter was reviewed and updated with minor modifications in September 2014 and can be found on Circadian's website: www.circadian.com.au.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The Circadian Code of Conduct as approved by the Board sets out Circadian's commitment and practices to successfully conduct our business in accordance with all applicable laws while demonstrating and promoting the highest ethical standards. It sets out the standards of conduct in employees' and directors' relationships with each other, with the employer and with all those with whom the directors and employees deal in their work. The Code provides a framework for decision-making and business behaviour that builds and maintains Circadian's corporate integrity and reputation, and identifies responsibilities for reporting and investigating breaches. The Code applies to all employees and directors. The Code of Conduct was reviewed in September 2014 and can be found on Circadian's website: **www.circadian.com.au**.

Securities Trading Policy

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

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

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

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

An Approving Officer means:

a. for a Designated Officer who is not a director, the Chief Executive Officer (CEO);

b. for a director (except the Chairman of the Board), the Chairman of the Board and the CEO; and

c. for the Chairman of the Board, the Chairman of the Audit Committee and the CEO.

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

a. any closed period (that is for the period of one month before the publication of annual and half-yearly financial results);

b. any period when there exists any matter that constitutes unpublished price sensitive information in relation to Circadian's securities; or

c. any period when the person responsible for the clearance otherwise has reason to believe that the proposed dealing is in breach of this policy.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company. The Securities Trading Policy was reviewed in September 2014, a copy of which is available on Circadian's website: **www.circadian.com.au**.

Diversity Policy

In April 2011, the Company established a separate Diversity Policy in accordance with Recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations. The policy was reviewed in September 2014 and a copy of the policy is available on the Company's website.

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

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

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

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements. All members of the Audit and Risk Committee are independent non-executive directors. The members who served on the Audit and Risk Committee during the 2014 financial year were Ms Tina McMeckan, Ms Dominique Fisher, Mr Don Clarke (until November 2013) and Dr Russell Howard (from December 2013).

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

Qualifications of Audit and Risk Committee members

Ms McMeckan has chaired the Audit and Risk Committee since 21 August 2008. Her specific skills are in the commercialisation of science and technology and the energy sector. Ms McMeckan is presently a Director of CRC for Spatial Information, AusNet Services Limited, and the Global Carbon Capture and Storage Institute and was the Chairman of Centre for Eye Research Australia until November 2012 and a Director of Metlink Pty Ltd until April 2012. She is a past member of the Funds Management Committee of the AusIndustry Research and Development Board and has held senior investment management positions with the Australian Industry

Development Corporation and Amrad Corporation Ltd (acquired by CSL Limited), focusing on capital raisings for innovation-based ventures. She also has extensive board expertise in public and private utility infrastructure, including power production, networks and retailing business in the gas and electricity industries. She was formerly the Chairman of NanoVentures Australia Ltd and a member of the National Board of Norton Rose law firm. Her other appointments as a director have included United Energy, Snowy Hydro Trading, the Westar and Kinetik Energy Group, Victorian Power Exchange, Vision Cooperative Research Centre, Solaris Power and the formerly listed company Alinta Limited (October 2003 to August 2007).

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

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

Dr Russell Howard joined the company as a non-executive director in December 2013. Dr Howard has acted as a special advisor to the Board of Directors since 2012. He has relevant experience in the life sciences and biotechnology sectors. He is Chairman at Neuclone, a Sydney company developing bio-similar monoclonal antibody drugs. He is also the founder and CEO of Oakbio, a biotechnology company based in California. Previously, Dr Howard was Founder and CEO of Maxygen, President & Scientific Director at Affymax and he also previously served on advisory panels for WHO and USAID.

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

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

The Continuous Disclosure Policy was reviewed in September 2014 and is available on Circadian's website: **www.circadian.com.au**.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

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

Mechanisms employed include:

› all information released to the ASX (including annual reports, half-yearly reports, and notices of general meetings and their associated explanatory material) is posted on Circadian's website as soon as practicable following confirmation of receipt by the ASX;

› annual reports (if requested) and notices of general meetings with explanatory material are emailed or mailed to investors; and

› briefings provided to investors and analysts, with whom Circadian acknowledges the importance of its relationship. A copy of any presentation material provided at briefings will be posted on Circadian's website.

The Communications Policy, which was reviewed in September 2014, is available on Circadian's website: **www.circadian.com.au**.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk

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

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

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

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. At the Company's Audit and Risk Committee meeting held in December 2013, management presented their annual risk review. As is required by the Board, management is required to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of these controls and processes. The report was considered by the Audit and Risk Committee and noted by the Board at the Board meeting held in December 2013. Management, with the assistance of its insurance broker, undertook an annual review, in November 2013, of the Company's insurance requirements to ensure appropriate coverage.

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

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

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

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

CEO and CFO certification

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

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

The Risk Management Policy, which was reviewed in December 2013, is available on Circadian's website: www.circadian.com.au.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Performance

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

Remuneration Committee

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

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

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

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

The members of the Remuneration Committee during the year were Don Clarke (until 29 November 2013), Dominique Fisher (from 20 October 2011), Tina McMeckan (from 10 December 2013) and Russell Howard (from 10 December 2013).

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

The Remuneration Committee Charter, which was reviewed in September 2014, can be found on Circadian's website: www.circadian.com.au.

Financial report

Deloitte.

Deloitte Touche Tohmatsu
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30 September 2014

The Board of Directors
Circadian Technologies Limited
Suite 0403, Level 4,
650 Chapel Street
SOUTH YARRA VIC 3000

Dear Board Members

CIRCADIAN TECHNOLOGIES LIMITED

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

As lead audit partner for the audit of the financial statements of Circadian Technologies Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Finance revenue		**274,931**	530,986
Other revenue		**603,152**	622,701
Revenue	6	**878,083**	1,153,687
Other income	7	**397,514**	466,991
Research and development expenses	8	**(3,613,066)**	(3,436,660)
Patent expenses		**(336,154)**	(459,999)
Intellectual property costs		**(229,840)**	(155,512)
Administrative expenses	9	**(3,323,659)**	(3,943,288)
Occupancy expenses	9	**(114,727)**	(161,516)
Impairment losses	9	**(507,172)**	(26,218)
Loss before income tax		**(6,849,021)**	(6,562,515)
Income tax benefit	10	**2,859,403**	1,558,009
Loss for the year		**(3,989,618)**	(5,004,506)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net unrealised gains/(losses) on non-current listed investments for the period		**215,970**	(1,375,640)
Income tax on items of other comprehensive income	10	**(64,791)**	412,690
Other comprehensive income for the period, net of tax		**151,179**	(962,950)
Total comprehensive income for the period		**(3,838,439)**	(5,967,456)
Profit/loss for the period is attributable to:			
Non-controlling interests	27	**6,524**	(249,713)
Owners of the parent	21	**(3,996,142)**	(4,754,793)
		(3,989,618)	(5,004,506)
Total comprehensive income for the period is attributable to:			
Non-controlling interests		**36,754**	(383,139)
Owners of the parent		**(3,875,193)**	(5,584,317)
		(3,838,439)	(5,967,456)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
› Basic and diluted loss per share (cents)	11	**(8.22)**	(9.79)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	12	**7,162,020**	11,003,941
Current tax assets	10	**2,292,038**	1,960,206
Receivables	13	**413,820**	363,810
Prepayments		**113,121**	143,554
Total Current Assets		**9,980,999**	13,471,511
Non-Current Assets			
Available-for-sale financial assets	14	**2,275,421**	2,280,517
Deferred tax assets		**56,135**	77,385
Plant and equipment	15	**148,778**	82,546
Intangible assets	16	**–**	500,000
Total Non-Current Assets		**2,480,334**	2,940,448
TOTAL ASSETS		**12,461,333**	16,411,959
LIABILITIES			
Current Liabilities			
Payables	17	**1,604,668**	1,598,782
Provisions	18	**160,330**	311,585
Total Current Liabilities		**1,764,998**	1,910,367
Non-Current Liabilities			
Deferred tax liability		**56,135**	77,385
Provisions	19	**86,165**	65,261
Other liabilities		**74,779**	–
Total Non-Current Liabilities		**217,079**	142,646
TOTAL LIABILITIES		**1,982,077**	2,053,013
NET ASSETS		**10,479,256**	14,358,946
EQUITY			
Contributed equity	20	**39,453,733**	39,453,733
Accumulated losses	21	**(23,239,721)**	(19,243,579)
Reserves	21	**(6,678,843)**	(6,758,541)
Equity attributable to owners of the Company		**9,535,169**	13,451,613
Non-controlling interests	27	**944,087**	907,333
TOTAL EQUITY		**10,479,256**	14,358,946

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Contributed equity $	Employee equity benefits reserve $
As at 1 July 2012		**39,395,603**	**121,090**
Net unrealised gains on non-current listed investments for the year*	21	–	–
Loss for the year*		–	–
Total comprehensive income and expense for the year		–	–
Changes in controlling interest due to share issue		–	–
Issue of ordinary shares under private placement	20	58,130	–
Recognition of share-based payment	21	–	66,407
Balance at 30 June 2013		**39,453,733**	**187,497**
As at 1 July 2013		**39,453,733**	**187,497**
Net unrealised gains on non-current listed investments for the year*	21	–	–
Loss for the year*		–	–
Total comprehensive income and expense for the year		–	–
Recognition of share-based payment	21	–	(41,251)
Balance at 30 June 2014		**39,453,733**	**146,246**

*Amounts are after tax.

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

Equity reserve-parent $	Unrealised gains reserve $	Accumulated losses $	Attributable to owners of the parent $	Non-controlling interests $	Total equity $
(7,172,143)	**1,055,629**	**(14,488,786)**	**18,911,393**	**1,285,462**	**20,196,855**
–	(829,524)	–	(829,524)	(133,426)	(962,950)
–	–	(4,754,793)	(4,754,793)	(249,713)	(5,004,506)
–	(829,524)	(4,754,793)	(5,584,317)	(383,139)	(5,967,456)
–	–	–	–	5,010	5,010
–	–	–	58,130	–	58,130
–	–	–	66,407	–	66,407
(7,172,143)	**226,105**	**(19,243,579)**	**13,451,613**	**907,333**	**14,358,946**
(7,172,143)	**226,105**	**(19,243,579)**	**13,451,613**	**907,333**	**14,358,946**
–	120,949	–	120,949	30,230	151,179
–	–	(3,996,142)	(3,996,142)	6,524	(3,989,618)
–	120,949	(3,996,142)	(3,875,193)	36,754	(3,838,439)
–	–	–	(41,251)	–	(41,251)
(7,172,143)	**347,054**	**(23,239,721)**	**9,535,169**	**944,087**	**10,479,256**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Interest received		**300,146**	630,989
Royalty and licence income received		**490,750**	615,876
Grant income		**–**	13,500
Sales of Reagents		**6,513**	5,481
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		**(7,439,845)**	(8,202,698)
Income tax refund		**2,468,129**	1,323,856
Net cash flows used in operating activities	24	**(4,174,307)**	(5,612,996)
Cash flows from investing activities			
Acquisition of financial investments		**(45,328)**	(370,199)
Proceeds from sale of investments		**505,483**	606,144
Purchase of plant and equipment		**(118,028)**	(2,989)
Net cash flows provided by investing activities		**342,127**	232,956
Net decrease in cash and cash equivalents		**(3,832,180)**	(5,380,040)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(9,741)**	(55,244)
Cash and cash equivalents at beginning of year		**11,003,941**	16,439,225
Cash and cash equivalents at the end of the year	12	**7,162,020**	11,003,941

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

1. GENERAL INFORMATION

Circadian Technologies Limited (the Company) is a listed public company incorporated in Australia.
The address of its registered office and principal place of business is:

Suite 0403, Level 4
650 Chapel Street
South Yarra
Victoria 3141
Australia

The Company's principal activity is the development of new drugs for the treatment of eye and cancer diseases.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1. New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Company has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements"	This standard removes the individual key management personnel disclosure requirements in AASB 124 "Related Party Disclosures". As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 (note 25 (b) and 25 (c) in the 30 June 2013 financial statements) is now disclosed in the Remuneration Report due to an amendment to Corporations Regulations 2001 issued in June 2013.
AASB 10 "Consolidated Financial Statements" and AASB 2011-7 "Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards"	AASB 10 replaces the parts of AASB 127 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and Interpretation 112 "Consolidation – Special Purpose Entities". AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee.
AASB 13 "Fair Value Measurement" and AASB 2011-8 "Amendments to Australian Accounting Standards arising from AASB 13"	The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 "Share-based Payment", leasing transactions that are within the scope of AASB 117 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period (see notes 14 and 22 for the 2014 disclosures). Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

AASB 2012-2 "Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities"	The Group has applied the amendments to AASB 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments do not have any material impact on the consolidated financial statements.
AASB 2012-5 "Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle"	The Annual Improvements to AASBs 2009–2011 have made a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when: a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.
AASB CF 2013-1 "Amendments to the Australian Conceptual Framework" and AASB 2013-9 "Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments" (Part A Conceptual Framework)	This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 "Objective of General Purpose Financial Reporting". The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 2012-10 "Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments"	This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 119 "Employee Benefits" (2011) and AASB 2011-10 "Amendments to Australian Accounting Standards arising from AASB 119 (2011)"	In the current year, the Group has applied AASB 119 (as revised in 2011) "Employee Benefits" and the related consequential amendments for the first time. AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a "net interest" amount under AASB 119 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, AASB 119 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

2.2. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 "Financial Instruments", and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 "Materiality" (2013)	1 January 2014	30 June 2015
AASB 2012-3 "Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities"	1 January 2014	30 June 2015
AASB 2013-3 "Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets"	1 January 2014	30 June 2015
AASB 2013-4 "Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting"	1 January 2014	30 June 2015
AASB 2013-5 "Amendments to Australian Accounting Standards – Investment Entities"	1 January 2014	30 June 2015
AASB 2013-9 "Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments"	1 January 2014	30 June 2015
INT 21 "Levies"	1 January 2014	30 June 2015
AASB 2014-1 "Amendments to Australian Accounting Standards" › Part A: "Annual Improvements 2010–2012 and 2011–2013 Cycles" › Part B: "Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)" › Part C: "Materiality"	1 July 2014	30 June 2015
AASB 2014-1 "Amendments to Australian Accounting Standards" – Part D: "Consequential Amendments arising from AASB 14"	1 January 2016	30 June 2017
AASB 2014-1 "Amendments to Australian Accounting Standards" – Part E: "Financial Instruments"	1 January 2015	30 June 2016
AASB 2014-3 "Amendments to Australian Accounting Standards" – "Accounting for Acquisitions of Interests in Joint Operations"	1 January 2016	30 June 2017
AASB 2014-4 "Amendments to Australian Accounting Standards" – "Clarification of Acceptable Methods of Depreciation and Amortisation"	1 January 2016	30 June 2017

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
IFRS 9 Financial Instruments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017
Narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2016	30 June 2017

A number of Australian Accounting Standards and IFRS Interpretations are in issue but are not effective for the current year end. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing accounting policies. The Company does not intend to adopt any of these pronouncements before their effective dates.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS"). The financial statements were authorised for issue by the directors on 30 September 2014.

3.2. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for the investments classified as available-for-sale, which have been measured at fair value. All amounts are presented in Australian dollars.

Going concern basis

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

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

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

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

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

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

› has power over the investee;

› is exposed, or has rights, to variable returns from its involvement with the investee; and

› has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

› the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

› potential voting rights held by the Company, other vote holders or other parties;

› rights arising from other contractual arrangements; and

› any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4. Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Circadian Technologies Limited and its Australian subsidiaries is Australian dollars ($).

(ii) Transactions and balances

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

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

3.5. Cash and cash equivalents

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

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

3.6. Current receivables

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

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

3.7. Investments and other financial assets

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

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

Recognition and derecognition

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

Subsequent measurement

(i) Available-for-sale investments

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

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

(ii) Loans and receivables

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

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

3.8. Impairment of financial assets

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

(i) Available-for-sale investments

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

(ii) Financial assets carried at amortised cost

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

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

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

3.9. Acquisition of non-controlling interests – premium on acquisition

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

3.10. Investments in subsidiaries

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

3.11. Plant and equipment

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

› Equipment and furniture – 3 to 10 years

› Leasehold improvements – 8 years

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

Derecognition

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

3.12. Leases

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

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

The Group held no finance leases during the 2014 and 2013 financial years.

3.13. Impairment of non-financial assets other than goodwill

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the policy relating to impairment regarding investments in associates, see note 3.8 above.

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

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

3.14. Intangible assets

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

3.15. Intellectual property costs

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

3.16. Research and development costs

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

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

3.17. Payables

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

3.18. Loans and borrowings

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

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

The parent's non-current payables include loans from subsidiaries which are not interest bearing. The relevant subsidiaries have agreed that the loans to the parent will not be recalled for a period of 12 months from the date the directors adopt the annual financial statements of the parent. Loans payable to subsidiaries in the parent's accounts are financial liabilities carried at amortised cost.

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

3.19. Provisions and employee benefits

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

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

(ii) Long-service leave

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

3.20. Share-based payment transactions

Equity-settled transactions:

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

There are currently two plans that provide these benefits to employees: the Employee Share Option Plan and a Conditional Rights Scheme. The Conditional Rights Scheme was introduced on 4 March 2011 and replaces the Employee Share Option Plan. No more share options will be issued under the Employee Share Option Plan after this date.

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

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

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

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

(i) the grant date fair value of the award

(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period; and

(iii) the expired portion of the vesting period.

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

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

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

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

3.21. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.22. Revenue recognition

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

(i) Interest revenue

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

(ii) Royalty fee and licence fee revenue

Royalty fee and licence fee revenue is recognised when earned.

(iii) Dividends

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

3.23. Income tax

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

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

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

› when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

› when the taxable temporary difference is associated with investments in subsidiaries, associate or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

› when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; or

› when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Tax consolidation legislation

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

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

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

3.24. Other taxes

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

› when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

› receivables and payables are stated with the amount of GST included.

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

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

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

3.25. Government grants

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

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

3.26. Earnings per share

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

3.27. Comparatives

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4.1. Critical judgements in applying accounting policies

Capitalised development costs

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

No development costs were capitalised during the current year.

Impairment of available-for-sale assets

The Group holds available-for-sale financial assets and follows the requirements of *AASB 139 Financial Instruments: Recognition and Measurement* in determining when an available-for-sale asset is impaired. For the year ended 30 June 2014, losses of $7,172 have been booked for available-for-sale financial assets.

Taxation

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

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

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

Carrying value of investment in subsidiary

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

4.2. Key sources of estimation uncertainty

Valuation of investments

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a binomial model. The related assumptions are detailed in note 29. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

5. SEGMENT INFORMATION

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

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

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

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

6. REVENUE

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

7. OTHER INCOME

	2014 $	2013 $
Government grant income(i)	**187,900**	13,500
Net gain on disposal of available-for-sale investments	**251,616**	149,834
Net foreign exchange (loss)/gains	**(48,515)**	284,777
Other	**6,513**	18,880
	397,514	466,991

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

8. RESEARCH AND DEVELOPMENT EXPENSES

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

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

9. EXPENSES

	Note	2014 $	2013 $
(a) Impairment losses			
Listed financial investments		**7,172**	26,218
Intangible asset impairment		**500,000**	–
		507,172	26,218
(b) Occupancy expenses			
Operating lease rentals		**80,185**	122,836
Outgoings		**34,542**	38,680
Total occupancy expense		**114,727**	161,516
(c) Administrative expenses			
Included in administrative expenses are:			
› Depreciation of:			
Equipment and furniture	15	**25,540**	27,051
Leasehold improvements	15	**12,681**	289
Total depreciation expense		**38,221**	27,340
› Loss on sale of non-current assets		**13,575**	–
› Employee benefits expense:			
Salaries and fees		**1,843,888**	2,174,968
Cash bonuses		**2,500**	12,829
Superannuation		**173,883**	197,350
Share-based payments (write back)/expense	24	**(41,251)**	66,407
Total employee benefits expense		**1,979,020**	2,451,554
› Other administrative expenses			
Travel expenses		**116,459**	113,803
Insurance		**81,757**	94,615
Consultancy fees		**99,394**	206,321
Legal fees		**118,538**	83,351
Payroll tax		**76,924**	93,643
Investor relation and share registry related costs		**259,236**	248,961
Audit and accounting		**169,000**	161,650
Other expenses		**371,535**	462,050
Total other administrative expenses		**1,292,843**	1,464,394
Total administrative expenses		**3,323,659**	3,943,288

10. INCOME TAX

	2014 $	2013 $
(a) Income Tax Benefit		
The major components of income tax benefit are:		
Statement of Comprehensive Income		
Current income tax		
Current income tax credit	**2,292,038**	1,960,206
Under recognition of prior year benefit	**507,923**	–
Adjustments in respect of tax losses of previous years	**–**	10,493
Deferred income tax		
Relating to revaluation of listed investments to fair value	**64,791**	(412,690)
In respect of the current year	**(5,349)**	–
Income tax benefit reported in the statement of comprehensive income	**2,859,403**	1,558,009
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items credited/(charged) directly to equity		
Net unrealised gain/(loss) on listed investments	**64,791**	(412,690)
Income tax benefit/(expense) reported in equity	**64,791**	(412,690)
(c) Current tax assets		
Research and Development Tax incentive credit receivable	**2,292,038**	1,960,206

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

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

	2014 $	2013 $
Accounting loss before tax	**(6,849,021)**	(6,562,515)
At the parent entity's statutory income tax rate of 30% (2013: 30%)	**2,054,706**	1,968,755
Research and development tax credit refundable	**2,292,038**	1,960,206
Write off of temporary differences and tax losses not recovered	**(1,480,473)**	(2,381,445)
Adjustments recognised in current year in relation to the current tax of prior year	**(6,868)**	10,493
Income tax benefit reported in the statement of comprehensive income	**2,859,403**	1,558,009

	2014 $	2013 $
(e) Recognised deferred tax assets and liabilities in statement of financial position		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities:		
Revaluation of listed investments to fair value	**(42,782)**	(14,225)
Interest and royalty income receivable (future assessable income)	**(13,353)**	(63,160)
	(56,135)	(77,385)
Deferred tax assets:		
Revaluation of listed investments to fair value	**8,670**	–
Employee provisions[(i)]	**25,849**	77,385
Future allowable deductions	**21,616**	–
	56,135	77,385

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

	2014 $	2013 $
(f) Recognised deferred tax expense in statement of profit or loss and other comprehensive income		
Deferred income tax at 30 June relates to the following:		
Revaluation of listed investments to fair value	**64,791**	(412,690)
Interest and royalty income receivable (future assessable income)	**8,341**	(15,224)
Employee provisions	**47,242**	(10,873)
Derecognition of deferred tax assets due to probability test	**(60,932)**	26,097
Deferred tax benefit/(expense)	**59,442**	(412,690)

(g) Unrecognised temporary differences

Temporary differences with respect to deferred tax assets associated with investments, intellectual property and other miscellaneous items which have a low probability of realisation are unrecognised. These amounted to $2,898,811 at year end (2013: $3,238,863).

(h) Tax consolidation

(i) Members of the tax consolidated group

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

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

Members of the tax consolidated group have adopted the "separate taxpayer within group" method to allocate the current and deferred tax amounts to each entity within the group.

(i) Carry forward unrecognised tax losses

The Group had income tax losses of $12,298,258 and capital losses of $877,704 at year end (2013: income tax losses of $11,826,085 and capital losses of $877,704) for which no deferred tax asset is recognised on the statement of financial position as they are currently not considered probable of realisation. These tax losses are available indefinitely for offset against future assessable income subject to continuing to meet relevant statutory tests.

(j) Franking credit balance

The franking account balance at the end of the financial year at 30% is $330,630 (2013: $330,630), which represents the amount of franking credits available for the subsequent financial year.

11. EARNINGS PER SHARE

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

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

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

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

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

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

Short-term deposits are with a major bank and are made for varying periods of between 30 days and 90 days, depending on the immediate cash requirements of the Group, and earn interest at a fixed rate for the respective short-term deposit periods. At year end, the average rate was 3.47% (2013: 4.37%).

13. CURRENT ASSETS – RECEIVABLES

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

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

14. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 $	2013 $
Listed Australian shares – at fair value	**2,275,421**	2,280,517

Details of listed Australian shares

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

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

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

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

All available-for-sale investments listed above are level 1 financial assets in the fair value hierarchy. The valuation technique used to determine fair value is the reference to quoted bid prices in an open market.

Details of the investments in subsidiaries are shown in note 23.

15. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

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

16. INTANGIBLE ASSETS

	2014 $	2013 $
Carrying amounts of:		
Intellectual property – at cost	**500,000**	500,000
Less: impairments	**(500,000)**	–
	–	500,000
Cost:		
Balance at beginning and end of year	**500,000**	500,000

During the 2012 financial year, Syngene Limited acquired DiMiTech Platform Technology intellectual property from Monash University to further develop unique therapeutic peptides. Each year the Company assesses the development of the asset and considers any indications of impairment. The Company has determined that the cost of the investment is similar in nature to its other research and development costs. The company has been consistent with its treatment of research and development costs and has recorded an impairment of the whole of the carrying value of the intangible asset in the 2014 financial year.

17. CURRENT LIABILITIES – PAYABLES

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

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

18. CURRENT LIABILITIES – PROVISIONS

	2014 $	2013 $
Annual leave	**136,570**	232,266
Long-service leave	**23,760**	79,319
	160,330	311,585

19. NON-CURRENT LIABILITIES – PROVISIONS

	2014 $	2013 $
Long-service leave	**86,165**	65,261

20. CONTRIBUTED EQUITY

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

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

(i) On 24 August 2012, 63,152 shares were issued to various staff members in lieu of a cash bonus at a cost of $24,250. On 21 November 2012, 88,221 shares were issued to Mr Klupacs (former Managing Director) in lieu of a cash bonus. The share price on 24 August 2012 and 21 November 2012 was $0.38 and $0.37, respectively.

Share options

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

(b) Capital management

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

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

21. RETAINED EARNINGS AND RESERVES

	Note	2014 $	2013 $
(a) Movements in retained earnings were as follows:			
Balance at 1 July		**(19,243,579)**	(14,488,786)
Net loss for the period		**(3,996,142)**	(4,754,793)
Balance at 30 June		**(23,239,721)**	(19,243,579)
(b) Reserves			
Net unrealised gains reserve(i)		**347,054**	226,105
Employee equity benefits reserve(ii)		**146,246**	187,497
Equity reserve attributable to parent(iii)		**(7,172,143)**	(7,172,143)
Total reserves		**(6,678,843)**	(6,758,541)
(i) Movement in net unrealised gains reserve:			
Opening balance		**226,105**	1,055,629
Net gains /(loss) on non-current listed investments for the period		**215,970**	(1,375,640)
Tax effect on above net gains	10	**(64,791)**	412,690
NCI share of revaluation of listed investments net of tax		**(30,230)**	133,426
Net gains/(losses) on non-current listed investments for the period after tax		**120,949**	(829,524)
Closing balance		**347,054**	226,105
(ii) Movement in employee equity benefits reserve:			
Opening balance		**187,497**	121,090
Share-based payments (written back)/expense		**(41,251)**	66,407
Closing balance		**146,246**	187,497
(iii) Movement in equity reserve attributable to parent:			
Opening and closing balance		**(7,172,143)**	(7,172,143)

(c) Nature and purpose of reserves

Net unrealised gains reserve

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

Employee equity benefits reserve

This reserve is used to record the value of equity benefits provided to executives and employees as part of their remuneration.

Equity reserve attributable to parent

The premium paid by Circadian on acquisition of the balance of Vegenics' non-controlling interests is recognised in this account.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

Risk exposures and responses

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

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

(i) Interest rate risk

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

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

The Group does not have any borrowings.

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

As at 30 June 2014, given that the interest risk associated with the Group and parent relates solely to interest income (the Group has no third party borrowings), if interest rates moved, with all variables held constant, post tax (loss)/profit and equity would have been affected as illustrated in the following table:

Judgements of reasonably possible movements:	Post tax (loss)/profit impact		Equity impact	
	2014 %	2013 %	**2014 $**	2013 $
Consolidated				
+ 0.50% (50 basis points) (2013: + 0.50%)	**23,750**	42,500	**–**	–
– 0.50% (50 basis points) (2013: – 0.50%)	**(23,750)**	(42,500)	**–**	–

Given the amount of unrecognised tax losses in existence, the post tax figures include an offset of these tax losses (bringing the tax effect to nil) for the year ended 30 June 2014 (2013: Nil).

Significant assumptions used in the interest rate sensitivity analysis include:

› The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next 12 months from balance date.

(ii) Price risk

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

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

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

At 30 June 2014, had the share price moved with all other variables held constant, post tax (loss)/profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements:	Impact on loss after tax	Impact on equity after tax	Impact on loss after tax	Impact on equity after tax
	2014 **$**	**2014** **$**	2013 $	2013 $
Consolidated				
Change in variables				
10% increase in listed share price	**–**	**159,279**	–	159,636
10% decrease in listed share price	**–**	**(159,279)**	–	(159,636)

(iii) Foreign currency risk

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

The Group does not enter into any hedging transactions.

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

	Consolidated				
	USD	EURO	GBP	CAD	CHF
2014	$	$	$	$	$
Financial assets					
Cash	**1,126,696**	**–**	**33,689**	**–**	**–**
Receivables	**41,220**	**1,013**	**–**	**–**	**–**
Financial liabilities					
Payables	**(431,038)**	**(173,573)**	**(24,964)**	**(67,617)**	**(41,587)**
Net exposure	**736,878**	**(172,560)**	**8,725**	**(67,617)**	**(41,587)**

	Consolidated				
	USD	EURO	GBP	CAD	CHF
2013	$	$	$	$	$
Financial assets					
Cash	1,205,398	–	31,118	–	–
Receivables	122,691	5,104	–	–	–
Financial liabilities					
Payables	(368,658)	(11,316)	(151,515)	–	(4,639)
Net exposure	959,431	(6,212)	(120,397)	–	(4,639)

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

At 30 June 2014, had the Australian dollar moved with all other variables held constant, post tax (loss) profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements:	Post tax (loss)/profit impact		Equity impact	
	2014 %	2013 %	**2014 $**	2013 $
Consolidated				
AUD/USD +5%	**(35,089)**	(45,687)	**–**	–
AUD/USD –10%	**81,875**	106,603	**–**	–
AUD/Euro +5%	**8,217**	296	**–**	–
AUD/Euro –10%	**(19,173)**	(690)	**–**	–
AUD/GBP +5%	**(415)**	5,733	**–**	–
AUD/GBP –10%	**969**	(13,377)	**–**	–
AUD/CHF +5%	**1,980**	221	**–**	–
AUD/CHF –10%	**(4,621)**	(515)	**–**	–
AUD/CAD +5%	**3,220**	–	**–**	–
AUD/CAD –10%	**(7,513)**	–	**–**	–

The reasonably possible movements at 30 June 2014 are less than at 30 June 2013 due to the lower net exposure to the US dollar. There was minimum or insignificant exposure to the GBP during the current financial year.

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

› The reasonably possible movement of 5% was calculated by taking the currency spot rates as at balance date, moving these by 5% and 10% and then re-converting the currencies into AUD with the "new-spot-rate". This methodology reflects the translation methodology undertaken by the Group.

› The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next 12 months from balance date.

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

(iv) Credit risk

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

(v) Liquidity risk

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

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

(vi) Fair value

The Group has investments in listed equities which are calculated using the quoted prices in an active market. These investments are classified as falling into level 1 hierarchy per *AASB 13 "Fair Value Measurement"*. The Group does not have any derivative investments (level 2 hierarchy) where the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices). The Group also does not hold any financial instruments that fall into level 3. Level 3 fair value measurement uses observable inputs that require significant adjustments based on observable inputs to estimate its value.

Details of the fair value of the investments in listed equities are disclosed in note 14 of the financial statements. The fair value of current assets and liabilities in the consolidated statement of financial position at 30 June 2014 is the same as their carrying amounts.

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

23. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

	Parent entity % equity interest	
Name of company	2014 $	2013 $
Circadian Shareholdings Pty Ltd[(i)]	**100**	100
Polychip Pharmaceuticals Pty Ltd	**100**	100
Precision Diagnostics Pty Ltd	**100**	100
Syngene Limited	**52**	52
Vegenics Pty Ltd	**100**	100
Opthea Pty Ltd[(ii)]	**100**	100
Ceres Oncology Pty Ltd[(iii)]	**100**	100

(i) Circadian Shareholdings Pty Ltd acts as trustee for the employee Conditional Rights Scheme.

(ii) Opthea Pty Ltd was previously known as Insight Therapeutics Pty Ltd. Insight Therapeutics Pty Ltd was first incorporated on 4 September 2012.

(iii) Ceres Oncology Pty Ltd was first incorporated on 12 September 2012.

Circadian Technologies Limited is the ultimate parent entity.

All subsidiaries were incorporated in Australia and have the same financial year as Circadian Technologies Limited.

(b) Transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Refer to note 28(b) for director-related party transactions.

24. CASH FLOW STATEMENT RECONCILIATION

(a) Reconciliation to cash at the end of year	Note	2014 $	2013 $
Cash at bank and in hand	12	7,162,020	11,003,941
		7,162,020	11,003,941

(b) Reconciliation of net loss after tax to net cash flows from operations	2014 $	2013 $
Net loss for the year	(3,989,618)	(5,004,506)
Adjustments for:		
Income tax benefit recognised in profit or loss	(2,859,403)	(1,558,009)
Depreciation of non-current assets	38,221	27,340
Net loss on disposal of non-current assets	13,575	–
Net profit on disposal of investments	(251,616)	(149,834)
Employee benefits expense	(41,251)	66,407
Impairment losses on non-current financial investments	7,172	26,218
Impairment loss recognised on intangible asset	500,000	–
Impairment loss recognised on trade receivables	104,202	–
Net exchange differences	9,741	55,244
	(2,479,359)	(1,532,634)
Movements in working capital:		
Decrease/(increase) in prepayments	30,433	(69,399)
Decrease in interest receivable	25,215	100,003
Increase in other receivables	(179,426)	(174,388)
Increase/(decrease) in payables	80,671	(338,581)
(Decrease)/increase in employee provisions	(130,352)	82,653
Net cash used in operating activities	(6,642,436)	(6,936,852)
Income tax refund	2,468,129	1,323,856
Net cash generated by operating activities	(4,174,307)	(5,612,996)

25. COMMITMENTS

(i) Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for its office premises. The lease was signed in July 2013 and is for a period of six years from 15 July 2013. The previous lease has been transferred effective 15 July 2013.

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

(ii) Research projects and licence commitments

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

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

26. CONTINGENCIES

Circadian and its subsidiaries are party to various research agreements with respect to which a commitment to pay is contingent on the achievement of research milestones. Assuming all milestones are achieved within the timeframes stipulated in the contracts, those which could become payable in less than one year total $Nil (2013: $20,000) and those which could become payable in more than one year total $2,309,722 (2013: $12,751,034). These expenditure commitments would have an offsetting revenue stream from royalties and other income.

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

27. NON-CONTROLLING INTEREST

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

28. KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

	2014 $	2013 $
Short-term employee benefits	**1,399,953**	1,573,927
Post employment benefits	**128,643**	140,822
Long-term benefits	**–**	–
Termination benefits	**70,233**	–
Share-based payments expense	**38,074**	64,087
Total compensation	**1,636,903**	1,778,836

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

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

Director-related party transactions:

Purchases

(i) Laboratory costs totalling $Nil (2013: $9,356) were incurred during the year by Vegenics Pty Ltd for facilities provided by LICR. Dr Jonathan Skipper, a former non-executive director of Circadian until November 2011, is an executive officer of LICR.

(ii) Legal fees, including miscellaneous expenses, totalling $115,966 (2013: $72,711) were incurred during the year by the Group for services provided by the legal firm of Minter Ellison of which Don Clarke, a former director of the Company, is a partner. These legal fees were charged at commercial rates.

(iii) Website expenses totalling $9,684 (2013: $84,492) were incurred during the year by the Group for services provided by Helix Digital Pty Ltd of which Dominique Fisher, Chairman of the Company, is the managing director. These fees were charged at a discount to the company's commercial rates.

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

	2014 $	2013 $
Assets and liabilities:		
Current assets	**–**	–
Non-current assets	**–**	–
	–	–
Current liabilities		
Payables	**–**	594
Non-current liabilities	**–**	–
	–	594
Revenues and expenses:		
Administrative expenses	**125,650**	157,203
Research & development expenses	**–**	9,356
	125,650	166,559

29. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

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

	2014 $	2013 $
(Write back)/expense arising from equity-settled share-based payment transactions	**(41,251)**	66,407

Circadian currently operates two share-based payment plans; the Option Plan and the Conditional Rights Scheme. The Conditional Rights Scheme was introduced on 4 March 2011 and enables eligible employees to be awarded shares which are equity settled when certain milestones have been met by the Group. This replaces the Option Plan and no more new options will be granted under the existing plan.

(b) Types of share-based payment plans

(i) Senior Management Option Plan (Option Plan)

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

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

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

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

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

Performance Hurdles

Tranche 1 – a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price;

Tranche 2 – the Share Price achieves not less than 150% of the Exercise Price; and

Tranche 3 – the Share Price achieves not less than 175% of the Exercise Price.

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

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

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

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

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

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

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

(ii) Conditional Rights Scheme

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

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

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

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

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

Milestone 1

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

Milestone 2

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

Milestone 3

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

(c) Summary of options/rights granted

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

2014

Date of issue	16/05/2012(ii)	22/03/2011(ii)	26/06/2009(i)	15/12/2008(i)	15/09/2008(i)
On issue at the beginning of the year	**150,000**	**1,360,000**	–	–	–
Forfeited during the year	–	**(705,000)**	–	–	–
Outstanding at the end of the year	**150,000**	**655,000**	–	–	–

2013

Date of issue	16/05/2012(ii)	22/03/2011(ii)	26/06/2009(i)	15/12/2008(i)	15/09/2008(i)
On issue at the beginning of the year	150,000	1,560,000	77,144	100,000	780,982
Forfeited during the year	–	(200,000)	(77,144)	(100,000)	(780,982)
Outstanding at the end of the year	150,000	1,360,000	–	–	–
Exercisable at end of the year	–	–	–	–	–
Number of recipients	1	10	2	1	8
Exercise price	$0.00	$0.00	$1.00	$1.00	$1.00
Exercise period from	4/09/12	4/09/12	26/06/12	15/12/11	15/09/11
To (Expiration day)	31/03/15	31/03/15	26/06/13	15/12/12	15/09/12

(i) Refer to note 29(b)(i) for a summary of the options granted.

(ii) Refer to note 29(b)(ii) for a summary of the rights granted.

(d) Pricing models for options and conditional rights granted

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

Issue date of options/rights	16/05/12	22/03/11	26/06/09	15/12/08	15/09/08
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected annual volatility	50.0%	45.0%	45.0%	45.0%	45.0%
Risk-free interest rate (p.a.)	2.60%	5.04%	5.08%	3.73%	5.43%
Expected life of option/right (years)	2.8	4.0	3.5	3.5	3.5
Fair value per option/right	11.00 cents	20.34 cents* –25.00 cents	20.96 cents –21.97 cents	11.28 cents –12.06 cents	27.99 cents –29.14 cents
Exercise price per option/right	$0.00	$0.00	$1.00	$1.00	$1.00
Share price at grant date	$0.440	$0.700	$0.745	$0.58	$0.85
Model used	Binomial**	Binomial**	Monte Carlo	Monte Carlo	Monte Carlo

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

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

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

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

30. NET TANGIBLE ASSET BACKING

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

31. RATIOS

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

32. AUDITORS' REMUNERATION

The auditor of Circadian Technologies Limited is Deloitte Touche Tohmatsu.

	2014 $	2013 $
Amounts received or due and receivable by Deloitte (Australia) for:	**89,130**	87,210
an audit or review of the financial report of the entity and any other entity in the consolidated Group		
other services in relation to the entity and any other entity in the consolidated Group	**11,120**	10,500
	100,250	97,710

33. EVENTS AFTER THE BALANCE SHEET DATE

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

34. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for significant accounting policies relating to the Group.

(a) Financial position

	2014 $	2013 $
Current assets	**5,694,648**	9,433,017
Non-current assets	**54,089,646**	63,242,685
Total assets	**59,784,294**	72,675,702
Current liabilities	**356,690**	486,335
Non-current liabilities	**27,462,676**	27,337,710
Total liabilities	**27,819,366**	27,824,045
Net assets	**31,964,928**	44,851,657
Issued capital	**39,453,733**	39,453,733
Retained earnings	**(7,565,061)**	5,048,432
Employee equity benefits reserve	**146,246**	187,497
Net unrealised gains reserve	**(69,990)**	161,995
Total shareholders' equity	**31,964,928**	44,851,657

(b) Financial performance

	Year ended 30/06/2014	Year ended 30/06/2013
Loss of the parent entity	**(12,613,493)**	(16,089,171)
Other comprehensive expense	**(231,985)**	(115,992)
Total comprehensive loss of the parent entity	**(12,845,478)**	(16,205,163)

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

The parent entity does not have any contractual commitments for the acquisition of property, plant and equipment for the year ended 30 June 2014 (2013: Nil).

(d) Parent entity contingent liabilities

The parent entity has no (2013: Nil) contingent liabilities for the year ended 30 June 2014.

(e) Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has provided a written guarantee to all its controlled entities that it will continue to provide sufficient funds to enable them to meet their commitments and contingencies for the next 12 months. These controlled entities are disclosed in note 23.

(f) Impairment of investments in subsidiaries

Pursuant to *AASB 136 "Impairment of Assets"*, an impairment of investments in the subsidiaries of the Company of $11,432,735 was made in the parent entity accounts during the 2014 financial year (2013: $16,238,409). The subsidiaries are engaged in research and development activities and the use of the patent and intellectual property portfolio held by Vegenics Pty Ltd. The impairment has been recognised with respect to the carrying values associated with Ceres Oncology, Precision Diagnostics and relevant assets held by Vegenics. This treatment is consistent with the Group's strategic focus on developing the OPT-302 asset held by Opthea.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014

In accordance with a resolution of the directors of Circadian Technologies Limited, we state that:

1. In the opinion of the directors:

(a) the financial report and the notes thereto are in accordance with the *Corporations Act 2001*, including:

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

   (ii) complying with Australian Accounting Standards, Corporations Regulations 2001, and International Financial Reporting Standards (IFRS) as disclosed in note 3.1 of the financial statements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the directors made pursuant to S.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Megan Baldwin
Director

Dominique Fisher
Director

Melbourne
30 September 2014

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Circadian Technologies Limited

Report on the Financial Report

We have audited the accompanying financial report of Circadian Technologies Limited, which comprises the statement of financial position as at 30 June 2014, the statement profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 62.

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 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Deloitte.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Circadian Technologies Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Circadian Technologies Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 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 statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 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 Circadian Technologies Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J McLean

G J McLean
Partner
Chartered Accountants
Melbourne, 30 September 2014

ASX ADDITIONAL INFORMATION

1. DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, of quoted fully paid ordinary shares as at 24 September 2014 is as follows:

	Fully Paid Ordinary Shares	
Category	No. of holders	No. of shares
1– 500	103	33,952
501–1,000	434	416,942
1,001–5,000	1,124	3,023,635
5,001–10,000	336	2,691,680
10,001–100,000	348	10,028,961
100,001 and over	42	32,437,845
Total	**2,387**	**48,633,015**
The number of shareholders holding less than a marketable parcel of shares are:	1,108	1,437,811

2. TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of quoted fully paid ordinary shares and their respective holdings at 24 September 2014 are:

Rank	Name	No. of shares	% Interest
1	BNP Paribas Noms Pty Ltd <DRP>	8,677,713	17.84
2	Citicorp Nominees Pty Limited	4,431,852	9.11
3	Ludwig Institute For Cancer Research Ltd	3,122,090	6.42
4	HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,587,387	5.32
5	Capital Macquarie Pty Limited	1,377,360	2.83
6	4 Eyes Limited <Worsley Family A/C>	1,173,964	2.41
7	Chemical Trustee Limited	1,158,108	2.38
8	National Nominees Limited	1,110,361	2.28
9	JFF Steven Pty Ltd	714,867	1.47
10	Dr Choon-Joo Kho	656,000	1.35
11	Primdonn Nominees Pty Ltd <Primdonn Securities SF AC>	650,000	1.34
12	Traders Macquarie Pty Limited	647,972	1.33
13	Mr Robert John Klupacs	480,453	0.99
14	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd – Nominee A/C>	372,427	0.77
15	Mr Eric Lucas	354,036	0.73
16	Mr David John Massey <The D J Massey Super A/C>	352,730	0.73
17	HSBC Custody Nominees (Australia) Limited	313,986	0.65
18	Bond Street Custodians Limited <PGG – V04243 A/C>	282,334	0.58
19	Philadelphia Investments Pty Ltd	281,050	0.58
20	Mr Michael Richard Tarant <Tarant Super Fund A/C>	240,000	0.49
Total		**28,984,690**	**59.60**

3. SUBSTANTIAL SHAREHOLDERS

The following information is current at 24 September 2014 based on information extracted from the substantial shareholding notices given to the Company by shareholders who hold relevant interests in more than 5 per cent of the Company's voting shares:

	No. of shares
Packer and Co Limited	7,868,430
Licentia Limited	3,150,340
Ludwig Institute for Cancer Research	3,122,090

4. VOTING RIGHTS

Clauses 44 to 53 of the Company's Constitution stipulate the voting rights of members. In summary, but without prejudice to the provisions of the Constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for each ordinary share held by the member.

The Company's shares are quoted on the Australian Securities Exchange Limited (ASX code: CIR) and the OTC Markets Group Inc (OTCQX code: CKDXY).

CORPORATE INFORMATION

Company	Circadian Technologies Limited ABN 32 006 340 567
Directors	Dominique Fisher, BA(Hons), MAICD (Chairman) Megan Baldwin, PhD (appointed 24 February 2014) (Managing Director and Chief Executive Officer) Russell Howard, PhD (appointed 3 December 2013) Tina McMeckan, BLibArts&Sc, MBA, FAICD
Company Secretary	Mike Tonroe, BSc(Hons), ACA, MAICD (appointed 19 May 2014)
Registered Office	Level 4, 650 Chapel Street, South Yarra, Victoria 3141
Principal Administrative Office	Level 4, 650 Chapel Street, South Yarra, Victoria 3141 Telephone: +61 (3) 9826 0399 Facsimile: +61 (3) 9824 0083
Bankers	Commonwealth Bank of Australia, Melbourne, Victoria
Auditors	Deloitte Touche Tohmatsu, 550 Bourke Street, Melbourne, Victoria 3000
Solicitors	Minter Ellison, Rialto Towers, Level 23, 525 Collins Street, Melbourne, Victoria 3000
Share Register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 Telephone: +61 (3) 9415 4000 or 1300 850 505 (within Australia)
Stock Exchange Listing	Circadian Technologies Limited's shares are quoted on the Australian Securities Exchange Limited ASX (code: CIR)

Circadian also operates an American Depositary Receipt (ADR) program where One ADR is the equivalent of five shares. ADRs are publicly traded on the OTC QX in the United States of America (code: CKDXY).