



2015 ANNUAL REPORT

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*“OPT-302 is a promising drug candidate for the treatment of wet AMD, the leading cause of blindness in the western world in older adults.*

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

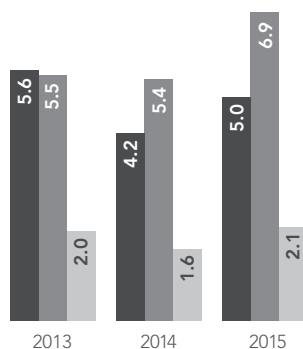
*We are investigating OPT-302 in an ongoing Phase 1/2A clinical study in wet AMD patients at leading US clinical sites.*

*Our strategy is to administer OPT-302 to block the processes involved in wet AMD disease progression and improve outcomes for patients.”*

#### CASH AND EXPENDITURE

As of 30 June

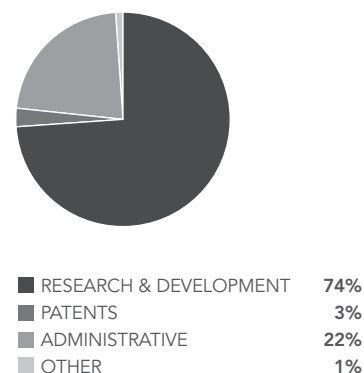
\$ Million



■ CASH USED IN OPERATING ACTIVITIES  
 ■ R&D EXPENDITURE (ACCRUAL)  
 ■ ADMINISTRATIVE EXPENDITURE (ACCRUAL)

#### TOTAL OPERATING COSTS

Year ended 30 June 2015



# Directors' report

The Board of Directors of Circadian Technologies Limited (Circadian or Company) submits its report for the year ended 30 June 2015 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
Tina McMeckan	Non-executive director
Russell Howard	Non-executive director

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. Ms Fisher is a non-executive director of Australia Post, Principal and Executive Director of EC Strategies Pty Ltd and 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, MAICD

Dr Megan Baldwin was appointed CEO and Managing Director of Circadian Technologies in February 2014. Dr Baldwin brings over 19 years of experience focusing on angiogenesis and therapeutic strategies for cancer and ophthalmic indications. Dr Baldwin joined Circadian in 2008 and since then 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 for the treatment of wet age-related macular degeneration. Prior to joining Circadian, she was employed at Genentech (now Roche), the world leader in the field of angiogenesis-based therapies for cancer and other diseases. Her experience included several years as a researcher in the group of leading angiogenesis expert Napoleone Ferrara, before moving to Genentech's commercial division and having responsibility for corporate competitive intelligence activities. In these roles, she developed extensive commercial and scientific knowledge in the field of anti-angiogenesis drug development. She holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research, and is a member of the Australian Institute of Company Directors.

**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 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.

**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 Neulone, a Sydney company developing bio-similar monoclonal antibody drugs. He is also the Founder and non-executive chairman of Oakbio, a biotechnology company based in California, developing breakthrough sustainable microbe-based technologies that convert CO<sub>2</sub> 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.

**COMPANY SECRETARY**

**MIKE TONROE**  
BSc(Hons), ACA, MAICD

Mike Tonroe, Chartered Accountant and member of the Australian Institute of Company Directors, was appointed as Chief Financial Officer and Company Secretary in May 2014. Mike previously held CFO and senior executive and general management positions in a number of international and Australian companies. Mike is also the Company Secretary for Syngene Limited, Vegenics Pty Ltd and all other Circadian subsidiary companies.

# DIRECTORS' REPORT (CONTINUED)

## 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
Tina McMeckan	AusNet Services Limited	Since 2010
Russell Howard	Prima Biomed	May 2013

## DIRECTORS' SHAREHOLDINGS

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

	Fully paid ordinary shares	Quoted options
	Number	Number
Dominique Fisher <sup>1</sup>	834,500	33,500
Megan Baldwin <sup>2</sup>	1,533,674	11,500
Tina McMeckan	140,000	20,000
Russell Howard	187,517	93,759

1 Holding includes 600,000 ordinary shares issued on 1 July 2015 subject to a holding lock until 1 July 2016.

2 Holding includes 1,500,000 ordinary shares issued on 1 July 2015 subject to a holding lock until 1 July 2016.

## 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:

During the financial year the Company issued 49,726,672 free quoted options to purchase ordinary shares with an exercise price of \$0.27 and expiry date of 25 November 2018. Of these, 3,975 were exercised during the year, none have been exercised since the end of the financial year.

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

#### Conditional rights:

During the financial year, no conditional rights were granted and all rights granted expired during the year.

#### Long-Term Incentive and Non-Executive Director Share and Option Plans

During the financial year, the Company granted 2,100,000 options to purchase ordinary shares to directors under the Long-Term Incentive Plan and the Non-Executive Director Share and Option Plan. All of these options vested during the financial year and were exercised on 1 July 2015.

Directors and senior management	Number of options granted	Issuing entity
Dominique Fisher	600,000	Circadian Technologies Limited
Megan Baldwin	1,500,000	Circadian Technologies Limited

The Remuneration Report section of this report contains details on the terms and conditions of the rights offered under the Company's conditional rights plan and options granted under the Company's Long-Term Incentive and Non-Executive Director Share and Option Plans.

## 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. 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 blood and lymphatic vessel growth (angiogenesis and lymphangiogenesis, respectively), as well as vascular leakage.

The therapeutic applications for Circadian's VEGF technology are substantial and broad. Circadian is developing its lead molecule, a soluble form of VEGFR-3 referred to as OPT-302, for the treatment of wet age-related macular degeneration (wet AMD), the leading cause of blindness in the western world in people aged over 55 years.

## OPERATING AND FINANCIAL REVIEW

### Results

#### Financial Performance

The results for the year 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 \$5,400,994 after an income tax benefit of \$2,720,260 (2014: loss of \$3,989,618 after an income tax benefit of \$2,859,403);
- › Direct R&D expenditure (excluding personnel costs) amounted to \$5,585,692 (2014: \$3,613,066). Including personnel costs and other R&D support costs that are recognised through the administrative cost centre, total expenditure in R&D amounted to \$7,210,267 (2014: \$5,445,034);
- › Received an R&D tax incentive payment during the year of \$2,297,679 (2014: \$2,468,129);
- › Royalty income received during the financial year of \$515,859 (2014: \$603,152);
- › Patent costs incurred during the financial year of \$259,176 (2014: \$336,154).

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 pre-clinical evaluation of OPT-302 in animal models for eye disease, conduct of IND-enabling safety toxicology studies and manufacture of clinical grade OPT-302 drug product.

#### Financial Position

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

- › Consolidated cash balances as at 30 June 2015 amounted to \$18,435,637 (2014: \$7,162,020);
- › Receivables of \$3,345,420 (2014: \$2,705,858) include the Circadian Group's expected refund of R&D tax incentives for the year to June 2015 of \$3,110,530 (2014: \$2,292,038);
- › The Group has a net current asset surplus of \$19,673,480 (2014: \$8,216,001);
- › At 30 June 2015, the Circadian Group's net equity was \$21,721,612 (2014: \$10,479,256);
- › The net tangible asset backing per share as at 30 June 2015 was \$0.15 (2014: \$0.22), whereas Circadian's share price was \$0.19 (2014: \$0.19);
- › The Group retains interests in various listed investments included in available-for-sale financial assets; the largest of these is in Antisense Therapeutics Limited. The combined market value of these investments at 30 June 2015 was \$2,040,987 (2014: \$2,275,421).

## STRATEGY AND CORPORATE STRUCTURE

Circadian is a biologics drug developer focusing on ophthalmic diseases. 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", for the treatment of neovascular ("wet") age-related macular degeneration (AMD). Blockade of VEGF-C and VEGF-D by OPT-302 inhibits blood and lymphatic vessel growth, as well as vascular leakage, which are characteristic hallmarks of several eye diseases, including wet AMD.

Reflective of Circadian's focus on the opportunity represented in the OPT-302 ophthalmology program, the corporate structure of the Circadian Group will be simplified over the following months with the deregistration of several wholly owned subsidiaries.

The legal-entity and corporate-structure simplification process will provide additional clarity on the Company's objective to focus its cash and resources on the clinical development of OPT-302 for eye diseases and simplifies Circadian's administrative and reporting processes.



# DIRECTORS' REPORT (CONTINUED)

## OVERVIEW OF OPERATIONS

### Wet AMD: a leading cause of blindness and large market opportunity

Wet AMD is a disease characterised by 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 and within 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. Approved therapies for the disease include Eylea™ and Lucentis™, which block the activity of VEGF-A, a signal that causes blood vessels to grow and leak. The approved therapies target VEGF-A but not VEGF-C or VEGF-D, which are also members of the same family of molecules. VEGF-C and VEGF-D can stimulate blood vessel growth and leakage through the same pathway as VEGF-A, as well as through pathways that are independent of VEGF-A.

Wet AMD typically affects individuals aged 55 years or older, and is the leading cause of blindness in the developed world. The prevalence of wet AMD is growing as the population ages. It is estimated that in Australia, 1/7 people aged over 55 years will develop macular degeneration and a large proportion of those patients will go on to develop the "wet" (or neovascular) form of the disease that is associated with chronic and often rapid vision loss (*"Eyes on the future – A clear outlook on age-related macular degeneration"*. Report by Deloitte Access Economics & Macular Degeneration Foundation, 2011). In the US, it is estimated that over 15 million people have macular degeneration and greater than 1.75 million people have wet AMD (Cowen and Company, *Ophthalmic Analyst report*, July 7 2015).

Given the prevalence of the disease, the market opportunity for wet AMD therapeutics is estimated to be in excess of US\$10 billion worldwide. Sales of Lucentis™ (Roche/Novartis), an approved VEGF-A inhibitor for wet AMD, were over US\$4 billion in 2014. Sales of Eylea™ (Regeneron/Bayer), which also targets VEGF-A but not VEGF-C or VEGF-D, were over US\$1.8 billion in 2014. In addition, the VEGF-A inhibitory antibody Avastin™ (bevacizumab), which is approved as a cancer therapy, is frequently used "off label" to treat wet AMD. Lucentis™, Eylea™ and Avastin™ are administered via injection directly into the vitreous humour of the eye on a monthly or bi-monthly basis.

Circadian's strategy is to address the unmet medical need that remains for wet AMD patients. Approximately half of the people receiving the existing therapies exhibit a sub-response and do not experience a significant gain in vision and/or have persistent fluid at the back of the eye. There is substantial commercial opportunity for new therapies to improve therapeutic efficacy and duration of patient responses in wet AMD.

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

OPT-302 is a soluble form of VEGFR-3 that potently blocks the activity of both VEGF-C and VEGF-D. VEGF-C and VEGF-D are novel and promising targets for the treatment of wet AMD as they stimulate blood vessel growth 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 therapies that block VEGF-A, such as Lucentis™ and Eylea™.

Pre-clinical studies in mice with wet AMD have demonstrated that OPT-302 can reduce wet AMD lesion size and vessel leakage to a comparable extent as the marketed agent Eylea™. Used together in the same model, the two therapies more effectively inhibit wet AMD lesions than using either agent alone. These studies highlight that OPT-302 has the potential to be used as a single agent (monotherapy), or in combination with existing approved inhibitors of VEGF-A (Lucentis™/Eylea™), in order to achieve a more complete blockade of the VEGF pathway and to block a mechanism of "escape" from existing therapies.

### Progress and Program Status

The 2014/2015 financial year was a landmark year for Circadian Technologies and our novel lead molecule OPT-302. Critical to the advancement of this development program, Circadian completed a transformational capital raising of A\$17.4 million in November 2014 by way of a placement of A\$14 million to institutional and sophisticated investors in the US, Europe and Australia and a rights issue of A\$3.4 million. The new funds strengthen the Company's balance sheet and are expected to fund the Company to the end of 2017 and the completion of Phase 1/2A and Phase 2B clinical trials for OPT-302 in wet AMD patients. The addition to our share register of new institutional specialist healthcare investors from around the world provides endorsement for our strategic focus on OPT-302 and the potential of our technology to improve vision in wet AMD patients.

In June 2015, we announced that the US Food and Drug Administration (FDA) had approved our Investigational New Drug (IND) application to initiate a Phase 1/2A clinical trial of OPT-302 in patients with wet AMD. IND approval represents a significant milestone for the Company and was the culmination of a detailed review by the FDA of our non-clinical data package, including pre-clinical safety/toxicology, efficacy testing and manufacturing processes for OPT-302, as well as the Phase 1/2A study design. Importantly, our non-clinical package included data demonstrating that OPT-302 was well tolerated in pre-clinical IND-enabling repeat-dose safety toxicology studies when dosed on a monthly basis via ocular administration; and that OPT-302 drug product could be manufactured at the necessary quality and quantity required to meet FDA specifications for clinical use. The Phase 1/2A clinical study commenced 1 July 2015, following receipt of Institutional Review Board (IRB) approval and initiation of five clinical trial sites in the US. The sites are now actively recruiting and screening patients for the study.

In parallel with the conduct of non-clinical studies to support a clinical trial, in December 2014 we announced establishment of Circadian's Clinical Advisory Board (CAB). The CAB comprises internationally recognised key opinion leaders who have provided invaluable strategic guidance on Circadian's clinical strategy and Phase 1/2A trial design.

The Phase 1 multi-centre dose-escalation clinical trial will investigate OPT-302 administered either alone or in combination with Lucentis™ on a monthly basis for three months by ocular injection. The trial is recruiting wet AMD patients who have either not been treated previously (treatment-naïve patients) or who have demonstrated a sub-optimal response to prior anti-VEGF-A therapy. Endpoints of the study include assessment of the safety of OPT-302 and preliminary measures of clinical efficacy, including evaluation of visual acuity using eye charts as well as changes in wet AMD lesions using optical coherence tomography and fluorescein angiography.



Primary analysis from the dose escalation cohorts (Phase 1) in the clinical trial is anticipated in the first quarter of 2016.

Following the completion of the Phase 1 dose-escalation cohorts, the Phase 2A component of the clinical trial protocol allows for expansion of the monotherapy and Lucentis™ combination cohorts by ~15 patients in each cohort at the maximum tolerated dose or highest dose tested. Data from the Phase 2A dose-expanded cohorts is anticipated in the second half of 2016.

Concurrent with the Phase 1/2A clinical trial, we also continue to build our pre-clinical data package for OPT-302 through an ongoing research program with our collaborators at Schepens Eye Research Institute (Harvard Medical School, Massachusetts Eye & Ear Infirmary, Boston). Our data was presented at several international ophthalmology conferences in 2015, including the Annual Meeting of the Association for Research in Vision and Ophthalmology (ARVO) in Denver, the Annual Meeting of the American Society of Retina Specialists (ASRS) in Vienna and the Angiogenesis Foundation's World Congress of Angiogenesis in Boston.

#### Intellectual Property

In January 2015, we announced the grant of a US patent protecting compositions containing soluble VEGFR-3 fusion proteins, such as OPT-302. The US Patent Office also awarded 1980 days of patent term adjustment, extending the patent expiry date to mid 2026. The equivalent patents have already been granted in Europe, Japan, Canada and Australia. Circadian continues to pursue a further patent family directed to the OPT-302 molecule, which has the potential to extend the patent protection for this molecule out to 2034.

#### Non-Core Assets

In addition to the OPT-302 ophthalmology program, the Group has a number of non-core assets as a result of its historical research and development projects. These assets will be subject to further review in the coming financial year. In addition, we note:

- › **VGX-100** – Commercial opportunities related to out-licensing, partnering and/or sale of VGX-100, a monoclonal antibody for VEGF-C that has been tested in a Phase 1A/1B clinical study in advanced cancer patients as a single agent and in combination with the VEGF-A inhibitor Avastin™, continue to be sought.
- › **IMC-3C5** – In June 2015, Circadian's partner Eli Lilly presented clinical data from the Phase 1 oncology clinical trial of the VEGFR-3 antibody IMC-3C5 (LY3022856) at the 2015 Annual Meeting of the American Society of Clinical Oncology (ASCO). Eli Lilly has an exclusive licence to Circadian intellectual property to develop the VEGFR-3 antibody. IMC-3C5 was shown to be well tolerated following weekly intravenous infusions to cancer patients with a favourable pharmacokinetic profile. With the completion of the Phase 1 study, Eli Lilly is currently reviewing the IMC-3C5 program.
- › **DiMiTech™ Platform** – Syngene Limited's dicarba insulin program is currently being reviewed following the completion of the Australian Research Council (ARC) Linkage Grant in March 2015. At 30 June 2015, Syngene had cash at bank of \$240,968.

#### Future Developments

Circadian will continue to focus the Company's capital and resources on the significant opportunity represented in the OPT-302 program. This has been made possible by the successful capital raising in November 2014.

The key objectives of the Company over the next 12 months are to:

- › continue and complete patient enrolment in the Phase 1 clinical trial of OPT-302 in wet AMD patients and report data from the dose-escalation cohorts in the first quarter of 2016;
- › recruit wet AMD patients into the dose expansion (Phase 2A) component of the first-in-human clinical study of OPT-302 in wet AMD patients and report data in the second half of 2016;
- › raise Opthea's profile through awareness of the unmet medical need for wet AMD and rationale for OPT-302 use in this setting;
- › actively engage with potential partners, licensees and investors to optimise partnership and commercialisation opportunities; and
- › complete the legal-entity simplification process by deregistering several wholly owned subsidiaries and simplifying the administrative and reporting processes of the Group.

#### 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 Directors' 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 2015.

# DIRECTORS' REPORT (CONTINUED)

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity attributable to the owners of the Company increased from \$9,535,169 to \$20,904,010, primarily as a result of increasing share capital in the year that will continue to fund ongoing operational expenditure as the Group progressed its OPT-302 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 2015, 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 2015. 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	9	6	1
Number of meetings attended:			
Dominique Fisher	9	6	1
Megan Baldwin	9	6	1
Tina McMeckan	8	6	1
Russell Howard	8	6	1

## 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. Fisher (Chairman)
D. Fisher	T. McMeckan
R. Howard	R. Howard

## 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 2015.

This report provides a summary of the remuneration policies and practices adopted by Circadian during the 2015 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. The prescribed details for each person covered by this report are detailed below under the following headings:

- › key management personnel
- › remuneration policy
- › relationship between the remuneration policy and company performance
- › remuneration of key management personnel
- › key terms of employment contracts.

### Key Management Personnel

The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-executive directors	Position
Dominique Fisher	Chairman, non-executive director
Tina McMeckan	Non-executive director
Russell Howard	Non-executive director
Executive officers	Position
Megan Baldwin	Chief Executive Officer and Managing Director
Mike Tonroe	Chief Financial Officer and Company Secretary

The above-named persons held their current position for the whole of the financial year.

In the prior year Remuneration Report the Group included six executives within the key management personnel disclosure. With the change in primary strategic focus of the Group to Opthea, and the proposed simplification of the Group's legal-entity structure to occur in September 2015, the Group has revised the number of executives that meet the definition of key management personnel. The executives of the Group that have direct influence over the strategic direction and operations only include Megan Baldwin (CEO and Managing Director) and Mike Tonroe (CFO). As a result, KMP will be limited to the non-executive directors and these executives within this report.

## 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 2015, 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.

# DIRECTORS' REPORT (CONTINUED)

## 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 2015, 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 \$300,420 per annum (2014: \$200,975), which is inclusive of superannuation. The 2015 director fees are 61% 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 from \$51,000 to \$80,000 per annum).

Except for the issue of 600,000 options to acquire ordinary shares granted to Dominique Fisher, non-executive directors were not compensated by way of issue of securities in the Company during the year ended 30 June 2015. 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 2015 and 30 June 2014 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 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 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 2015. The key performance indicators for the financial year ending 30 June 2016 are expected to be approved by October 2015.

Table 1 of this report sets out the remuneration of key management personnel (KMP) of the Company for the years ended 30 June 2015 and 30 June 2014, Table 2 showing the proportion of fixed remuneration and variable remuneration.

## Fixed Remuneration

### Objective

The level of fixed remuneration 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

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 depend 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.

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 2015 financial year

The Remuneration Committee considered the STI payment for the 2015 financial year in May 2015. Based on the achievement of operational objectives in the financial year, the Remuneration Committee has determined there will be \$213,863 (\$195,309 plus \$18,554 superannuation) STI bonus paid to KMP for the 2015 financial year (2014: \$Nil).

## 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 and employees 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 to purchase ordinary shares and conditional rights to shares in the Company.

Except for the LTI grants to Dominique Fisher and Megan Baldwin approved by shareholders at the Company's 2014 AGM, the Remuneration Committee has determined there will be no LTI grants to KMP for the 2015 financial year. Consideration is being given to LTI grants to KMP in the 2016 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 activity milestones/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.

### 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:

# DIRECTORS' REPORT (CONTINUED)

- › Milestone 1 – 33% of the rights will vest if either of the following occurs within 18 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed; or
  - annualised royalty income exceeds \$2 million.
- › Milestone 2 – 67% of the rights will vest if any three of the following occurs within 36 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
  - the share price based on a 10-day Volume Weighted Average Price (VWAP) at any time exceeds \$1.50 within 90 days of the date of the offer, which is 4 March 2011;
  - completion of necessary studies to have enabled the VGX-200 or VGX-300 series of molecules to be designated “formal drug development candidates”;
  - identification of a putative biomarker/clinical profile to enable patient selection into Phase 2 clinical trials; or
  - annualised sales royalty income exceeds \$5 million.
- › Milestone 3 – 100% of the rights will vest if any three of the following occurs within 48 months:
  - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
  - the share price based on a 10-day Volume Weighted Average Price (VWAP) at any time exceeds \$1.75 within 90 days of the date of the offer, which is 4 March 2011;
  - completion of necessary studies to have enabled the VGX-200 or VGX-300 series of molecules to be designated “formal drug development candidates”;
  - identification of a putative biomarker/clinical profile to enable patient selection into Phase 2 clinical trials; or
  - annualised sales royalty income exceeds \$7.5 million.

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

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

All conditional rights issued under the scheme expired on 31 March 2015. None of the performance conditions have been satisfied, none of the rights have vested and none will be exercised.

## Long-Term Incentive Plan

The Company implemented a new long-term incentive plan (LTIP) to attract, retain and motivate eligible employees, essential to the continued growth and development of the Company. The LTIP was approved by shareholders at the Company's 2014 AGM.

A summary of the terms of the LTIP is as follows:

### Eligibility

The Board may offer options to acquire shares in the Company (Options) or rights to acquire shares in the Company (Rights), to full- or part-time employees (including executive Directors) of the Company or any associated body corporate of the Company (Employees).

Subject to Circadian's constitution, the Board is also able to determine the terms of issue that will apply to any offers, including the issue price (if any), exercise price, exercise period and the restrictions (if any) on the exercise of the Options or Rights.

### Entitlement

Each Option or Right will, upon vesting and exercise or conversion, entitle the holder to subscribe for and be issued one fully paid ordinary Share in the capital of the Company. When issued, each Share will rank equally with all other Shares then on issue.

### Issue of Options or Rights

Unless otherwise determined by the Board, there is no issue price for the Options or Rights.

### Vesting

The Board will set the conditions (if any) under which the Options and Rights issued under the LTIP will vest.

### Transfer of Options or Rights

Options or Rights may not be transferred except in the following circumstances:

- (a) following an acceptance of an offer made under an off-market bid relating to the Options or Rights;
- (b) to a bidder on the sale of the Options or Rights under Division 3 of Part 6A.1 of the *Corporations Act 2001*;
- (c) to a 100% holder on the sale of the Options or Rights under Division 2 of Part 6A.2 of the *Corporations Act 2001*;
- (d) a transfer under Part 6A.3 of the *Corporations Act 2001* to a person entitled to acquire the Options or Rights under section 661A or 664A of the *Corporations Act 2001*; or
- (e) as approved by the Board in those circumstances as may be determined by the Board.

### Conditions

Subject to the discretion of the Board, conditions may be imposed on the exercise of Options.



## Term

The Option term will be fixed by the Board at the time of issue but if the offer does not specify a fixed date as the last date on which the Option may be exercised, the Option will expire five years from the date of issue.

## Lapse of Options or Rights

The Board may provide the Options or Rights will lapse on the occurrence any of the following circumstances:

- (a) a determination of the Board that the vesting conditions (if any) applicable have not been satisfied or are not capable of being satisfied in accordance with the terms of the Options or Rights;
- (b) the Employee ceases to be employed within the Group for any reason or in any circumstances (including as a result of his or her termination for cause or resignation or will cease or ceases to be employed because of poor or inadequate performance);
- (c) a determination of the Board that the Option or Rights should lapse because the Employee, in the Board's opinion:
  - (i) has been, or could be, dismissed or removed from office for a reason that entitles a Group Company to dismiss the Employee without notice;
  - (ii) has committed an act of fraud, misappropriation or serious misconduct in relation to the affairs of the Group or any Group Company (whether or not charged with an offence); or
  - (iii) has done an act that brings the Group or any Group Company into disrepute or causes material damage to any Group Company;
  - (iv) has been convicted on indictment of an offence against the Corporations Act in connection with the affairs of the Company or any Group Company;
  - (v) has had a judgement entered against him or her in civil proceedings in respect of the contravention by the Employee of his or her duties at law, in equity or under statute in his or her capacity as an executive or Director of the Company or any other Group Company;
  - (vi) has materially breached his or her obligations to any Group Company;
  - (vii) has performed below expectations or requirements (whether or not any performance-based vesting conditions have been or are likely to be met);
  - (viii) has materially breached any policy of the Company (including, without limitation, the trading policy or the Company's policy [if any] on the hedging of long-term incentives) or of any Group Company; or
  - (ix) has dealt with the Options or Rights in breach of the rules of the LTIP;
- (d) on the happening of any other circumstance determined by the Board and specified in the offer as a circumstance that will cause an Option or Right (vested or unvested) to lapse; and

(e) in the opinion of the Board, the Options or Rights are liable to clawback under any clawback policy of the Company.

In addition, in relation to unvested Options or Rights, the Board may determine that the Options or Rights will lapse in the event of a corporate control event (as defined in the rules of the LTIP).

If an Employee fails to exercise any vested Options by the last exercise date, those Options will lapse.

## Exercise Price

The exercise price for an Option (if any) will be the amount determined by the Board at the time of the issue of the Option.

## Corporate Control Events

The Board may determine that where a corporate control event (as defined in the rules of the LTIP, which includes a takeover offer) has occurred or occurs in the future, all of a specified portion of any unvested Options or Rights will be taken to be vested and any first or last exercise dates applicable to Options or any share allocation date or period applicable to Rights, will be brought forward to an earlier date or period determined by the Board.

## Non-Executive Director Share and Option Plan

Following its approval by shareholders at the 2014 AGM, the Company implemented a non-executive director share and option plan (NED Plan) under which present and future non-executive Directors may:

- (a) elect to receive newly issued Shares or options to acquire newly issued Shares in lieu of receiving some or all of their entitlement to their Directors' existing cash remuneration (in accordance with article 61.8 of the Company's constitution);
- (b) be awarded newly issued Shares or options to acquire newly issued Shares in lieu of additional cash remuneration in respect of services provided to the Company that, in the opinion of the Board, are outside the scope of the ordinary duties of the relevant Director (in accordance with article 61.5 of the Company's constitution); and/or
- (c) otherwise be awarded newly issued Shares or options to acquire newly issued Shares as part of the Directors' remuneration in addition to any existing cash remuneration paid to Directors (if any).

Advantages of the NED Plan are that it:

- (a) assists the Company in preserving its cash for use towards advancing the Company's lead molecule, OPT-302, for wet AMD through Phase 1/2A and 2B clinical studies;
- (b) gives non-executive Directors an opportunity to demonstrate their commitment and support for the Company through sacrificing some or all of their Directors' fees for Shares or options in Circadian; and
- (c) provides the Company with further flexibility in the design of the Directors' remuneration packages and in turn assists the Company with retaining existing Directors and attracting new additional Directors with the relevant experience and expertise, in both cases to further advance the prospects of the Company.



# DIRECTORS' REPORT (CONTINUED)

## 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:

	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$
Revenue	939,008	878,083	1,153,687	1,485,832	1,834,467
Loss before tax	(8,121,254)	(6,849,021)	(6,562,515)	(7,308,526)	(11,043,282)
Tax benefit	2,720,260	2,859,403	1,558,009	2,402,070	777,936
Loss after tax	(5,400,994)	(3,989,618)	(5,004,506)	(4,906,456)	(10,265,346)

	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$
Basic (loss)/earnings per share	(0.05)	(0.08)	(0.10)	(0.10)	(0.22)
Capital return per share	—	—	—	—	—
Dividends per share	—	—	—	—	—
NTA backing per share @ 30 June	0.15	0.22	0.33	0.41	0.47
Circadian share price @ 30 June	0.19	0.19	0.23	0.35	0.58

Due to the nature of the Group's activities (being in the biotechnology industry) as described under Principal Activities, results fluctuate year to year. 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 \$350,000 per annum from 1 July 2015;
- › 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. The conditional rights lapsed during the financial year and will not be exercised.

During the financial year, Megan was granted options to 1,500,000 ordinary shares under the LTIP. These options vested during the financial year and were exercised on 1 July 2015, subject to a holding lock expiring on 1 July 2016.

The CFO and Company Secretary has an ongoing contract. The Company may terminate the employment agreement by providing three months' notice or providing payment in lieu of the notice period (based on the fixed component of remuneration).

The Company may terminate Mike Tonroe's 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.

Table 1: Remuneration of key management personnel for the year ended 30 June 2015 (Consolidated)

		Short-Term		Post Employment	Long-Term	Termination Benefits	Share-Based Payment	Total
		Salary and Fees \$	Cash Bonus \$	Super-annuation \$	Long-Service Leave \$	Termination Pay \$	Options/ Conditional Rights \$	\$
<b>Non-executive directors</b>								
D. Clarke <sup>1</sup>	2015	–	–	–	–	–	–	–
	2014	23,335	–	2,159	–	–	–	25,494
D. Fisher	2015	80,004	–	7,600	–	–	101,126	188,730
	2014	80,004	–	7,400	–	–	–	87,404
R. Howard <sup>2</sup>	2015	51,000	–	4,845	–	–	–	55,845
	2014	29,619	–	2,740	–	–	–	32,359
T. McMeckan	2015	51,000	–	4,845	–	–	–	55,845
	2014	51,000	–	4,718	–	–	–	55,718
<b>Sub-total non-executive directors</b>								
	2015	182,004	–	17,290	–	–	101,126	300,420
	2014	183,958	–	17,017	–	–	–	200,975
<b>Executive directors</b>								
M. Baldwin <sup>3</sup>	2015	300,000	150,000	42,750	–	–	261,806	754,556
	2014	270,385	–	24,157	–	–	12,373	306,915
R. Klupacs <sup>4</sup>	2015	–	–	–	–	–	–	–
	2014	365,970	–	33,852	–	70,233	(60,151)	409,904
<b>Sub-total executive directors</b>								
	2015	300,000	150,000	42,750	–	–	261,806	754,556
	2014	636,355	–	58,009	–	70,233	(47,778)	716,819
<b>Other key management personnel</b>								
M. Tonroe <sup>5</sup>	2015	201,372	45,309	23,434	–	–	–	270,115
	2014	24,526	–	2,269	–	–	–	26,795
I. Leitch <sup>6</sup>	2014	181,896	–	16,825	–	–	4,720	203,441
M. Gerometta <sup>6</sup>	2014	182,232	–	16,857	–	–	9,838	208,927
R. Chadwick <sup>6</sup>	2014	190,986	–	17,666	–	–	11,143	219,795
<b>Sub-total executive KMP</b>								
	2015	201,372	45,309	23,434	–	–	–	270,115
	2014	579,640	–	53,617	–	–	25,701	658,958
<b>Totals</b>	2015	683,376	195,309	83,474	–	–	362,932	1,325,091
	2014	1,399,953	–	128,643	–	70,233	(22,077)	1,576,752

# DIRECTORS' REPORT (CONTINUED)

Table 1: Remuneration of key management personnel for the year ended 30 June 2015 (Consolidated) (continued)

1 D. Clarke resigned as a director on 29 November 2013.	As at 30 June 2015, 2,100,000 options issued under the LTIP and NED Plan had vested and were exercised on 1 July 2015.
2 R. Howard was appointed as a director on 3 December 2013.	
3 M. Baldwin was appointed CEO and Managing Director on 24 February 2014. Megan had served as an executive of the Company from February 2008.	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 2011 and 2015 financial years, and has been determined by allocating the fair value of the options and conditional rights equally over their respective vesting periods.
4 R. Klupacs resigned as CEO and Managing Director on 3 December 2013.	Refer to note 29 of the Financial Report for details on the valuation of options and conditional rights.
5 M. Tonroe was appointed as Chief Financial Officer and Company Secretary on 19 May 2014.	
6 Not classified as KMP in the year ended 30 June 2015.	

Table 2: Proportions of performance pay

The relative proportions of those elements of remuneration of KMP that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2015	2014	2015	2014
<b>Non-executive directors</b>				
D. Fisher	46.4%	100%	53.6%	—
R. Howard	100%	100%	—	—
T. McMeckan	100%	100%	—	—
<b>Executive officers</b>				
M. Baldwin	45.4%	96%	54.6%	4.0%
R. Klupacs	—	100%	—	—
M. Tonroe	83.2%	100%	16.8%	—
I. Leitch	—	100%	—	—
M. Gerometta	—	100%	—	—
R. Chadwick	—	100%	—	—

Table 3: Share-based payment arrangements in existence during the year (Consolidated)

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

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

Options issued under the LTIP and NED Plans:

(7) Issued 19/12/2014	25/11/2014	25/11/2018	\$0.17	25/5/2015
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1 Conditional rights 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". All rights issued under this scheme lapsed on 31 March 2015.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Details of share-based payments granted as compensation to key management personnel during the current financial year:

Name	Option series	During the financial year			
		No. granted	No. vested	% of grant vested	% of grant forfeited
M. Baldwin	Series 7	1,500,000	1,500,000	100%	n/a
D. Fisher	Series 7	600,000	600,000	100%	n/a

During the year, none of the options above were exercised.

The following table summarises the value of options granted and exercised during the financial year, in relation to options granted to key management personnel as part of their remuneration:

Name	Value of options granted at the grant date <sup>1</sup>	Value of options exercised at the exercise date <sup>2</sup>
M. Baldwin	252,484	–
D. Fisher	101,126	–

1 The value of options granted during the financial year is calculated as at the grant date using a Monte Carlo pricing model. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date.

2 No options were exercised during the financial year.

Table 4: Number of share options and conditional rights held by Key Management Personnel (consolidated)

		Balance at beginning of period 1 July	Granted as remuneration	Lapsed	Balance at end of period 30 June	Not exercisable <sup>1</sup> (i.e. not vested)
		No.	No.	No.	No.	No.
D. Fisher	2015	–	600,000	–	600,000	–
	2014	–	–	–	–	–
M. Baldwin	2015	200,000	1,500,000	(200,000)	1,500,000	–
	2014	200,000	–	–	200,000	200,000
Total	2015	200,000	2,100,000	(200,000)	2,100,000	–
	2014	200,000	–	–	200,000	200,000

1 Conditional rights have not vested and will not become exercisable as achievement of the milestones described above has not been met.

# DIRECTORS' REPORT (CONTINUED)

Table 5: Fully paid ordinary shares held by KMP in Circadian Technologies Limited

		Balance at beginning of period 1 July No.	Purchased in the year No.	Balance at end of period 30 June No.
<b>Non-executive directors</b>				
D. Fisher	<b>2015</b>	<b>167,500</b>	<b>67,000</b>	<b>234,500</b>
	2014	167,500	–	167,500
T. McMeckan	<b>2015</b>	<b>100,000</b>	<b>40,000</b>	<b>140,000</b>
	2014	100,000	–	100,000
R. Howard	<b>2015</b>	<b>–</b>	<b>187,517</b>	<b>187,517</b>
	2014	–	–	–
<b>Executives</b>				
M. Baldwin	<b>2015</b>	<b>10,674</b>	<b>23,000</b>	<b>33,674</b>
	2014	10,674	–	10,674
M. Tonroe	<b>2015</b>	<b>–</b>	<b>–</b>	<b>–</b>
	2014	–	–	–
I. Leitch	2014	8,299	–	8,299
M. Gerometta	2014	9,156	–	9,156
R. Chadwick	2014	6,146	–	6,146
<b>Total</b>	<b>2015</b>	<b>278,174</b>	<b>317,517</b>	<b>595,691</b>
	2014	301,775	–	301,775

Refer to Note 29 of the financial statements for further details of the share-based payment plans. Since the end of the financial year, no share options under the LTIP have been granted to KMP.


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 19 August 2015.

For and on behalf of the Board:



Megan Baldwin  
Director

Melbourne  
19 August 2015



Dominique Fisher  
Director

# 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 19 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 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 holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research and is a member of the Australian Institute of Company Directors.

**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 and is accountable directly to the board, through the chair, on all matters to do with the proper functioning of Circadian's board. 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.

**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 1–2 clinical studies in oncology. Prior to joining Amgen, he spent eight years at Miravant Medical Technologies in Santa Barbara, California. He held positions of increasing responsibility, including Senior Program Manager for Cardiovascular Research and Clinical Study Director for Ophthalmology. At Miravant, he managed pre-clinical efficacy studies, developed relationships with Key Opinion Leaders and designed Phase 1–2 clinical studies in 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.

# 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 27 March 2014, the Australian Securities Exchange (ASX) Corporate Governance Council released the *Corporate Governance Principles and Recommendations* (3rd edition) with the change in the reporting requirements applying to the Group's first financial year commencing on or after 1 July 2014. The Corporate Governance Statement details Circadian's corporate governance practices, including its compliance with the aforementioned requirements. This statement is current as at 19 August 2015 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	Act ethically and responsibly
Principle 4	Safeguard integrity in corporate reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of security holders
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 2015 and were fully compliant with the Council's best-practice recommendations, except for the recommendations regarding the establishment of a Nomination Committee. The reason for not establishing this committee is explained in the section of this report headed "Structure of the Board".

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

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

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

### Board functions and Charter

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

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

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

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

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

- › Audit and Risk (see Principle 4);
- › Remuneration (see Principle 8);
- › Transaction (established on 31 March 2014 and ceased on 18 August 2015); and
- › Clinical Advisory Board (established on 3 December 2014).

The roles and responsibilities of the Audit and Risk and Remuneration 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.

### **Board and committee performance**

Board and committee performance is monitored on an informal basis throughout the year with an annual formal performance evaluation (although this may occur every 12 to 20 months) in accordance with the Company's Performance Evaluation Process Policy. 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).

### **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) 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 2015 by the Remuneration Committee. This review was in accordance with the aforementioned process. A review of performance against KPIs occurred in May 2015 in accordance with the described policy. Further information on the Remuneration Committee can be found in the "Remuneration Report" section of the Directors' Report.

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

### **Diversity Policy**

In April 2011, the Company established a separate Diversity Policy in accordance with Recommendation 1.5 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.

# CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

### Structure of the Board

The Board as of 19 August 2015 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, 11 months
M. Baldwin	1 year, 6 months
T. McMeckan	7 years, 6 months
R. Howard	1 year, 8 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.

### 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*. 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](http://www.circadian.com.au).

## PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

### 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](http://www.circadian.com.au).

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE 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 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 2015 financial year were Ms Tina McMeckan, Ms Dominique Fisher and Dr Russell Howard.

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 September 2014. It can be found on the Company's website ([www.circadian.com.au](http://www.circadian.com.au)) and contains the procedures for the selection, appointment and rotation of external audit engagement partners.

### Qualifications of Audit and Risk Committee members

**Tina 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).

**Dominique Fisher** has extensive business experience in the corporate area, including the commercialisation of new technologies. She is a non-executive director of Australia Post, Principal and Executive Director of EC Strategies Pty Ltd and the Executive Chairman of CareerLounge Pty Ltd. 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.

**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 Neclone, a Sydney company developing bio-similar monoclonal antibody drugs. He is also the founder and non-executive chairman 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".

### 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.

### External auditor

The Company's external auditor, currently Deloitte, attends the Annual General Meeting and is available to answer questions from security holders relevant to the audit.

# CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## 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 obligations 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](http://www.circadian.com.au).

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

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](http://www.circadian.com.au).

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Risk

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

Material business risks are those risks 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, which 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 July 2015, 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 July 2015. Management, with the assistance of its insurance broker, undertook an annual review, in November 2014, 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.

### Internal audit function

The board has determined that, consistent with the size of the Company and its activities, an internal audit function is not currently required. The board has adopted an Audit and Risk Committee and a Risk Management Policy. The processes noted above are appropriate to the size of the Company to manage its material business risks and to ensure regular reporting to the Board on whether those risks are being managed effectively in accordance with the controls that are in place.

The Company does not have material exposure to economic, environmental and social sustainability risks.

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

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

### Performance

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

### Remuneration Committee

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

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

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

The members of the Remuneration Committee during the year were Dominique Fisher (Chair), Tina McMeckan and Russell Howard, all of whom are independent directors.

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](http://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.

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 is incorporated into the Securities Trading 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](http://www.circadian.com.au).



# Financial report

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The Board of Directors  
Circadian Technologies Limited  
Suite 0403, Level 4,  
650 Chapel Street  
SOUTH YARRA VIC 3141

19 August 2015

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.

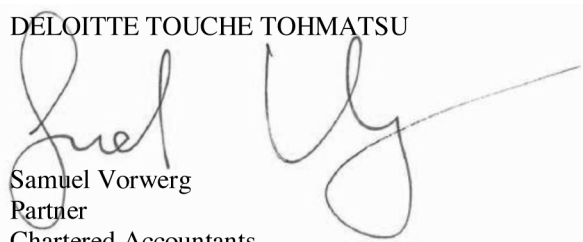
As lead audit partner for the audit of the financial statements of Circadian Technologies Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

  
Samuel Vorweg  
Partner  
Chartered Accountants



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2014 \$
Finance revenue		423,149	274,931
Other revenue		515,859	603,152
<b>Revenue</b>	6	<b>939,008</b>	878,083
Other income	7	324,242	397,514
Research and development expenses	8	(5,585,692)	(3,613,066)
Patent expenses		(259,176)	(336,154)
Intellectual property costs		(85,568)	(229,840)
Administrative expenses	9	(3,349,850)	(3,323,659)
Occupancy expenses	9	(104,218)	(114,727)
Impairment losses	9	–	(507,172)
<b>Loss before income tax</b>		<b>(8,121,254)</b>	(6,849,021)
Income tax benefit	10	2,720,260	2,859,403
<b>Loss for the year</b>		<b>(5,400,994)</b>	(3,989,618)
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net unrealised (losses)/gains on non-current listed investments for the period		(215,064)	215,970
Income tax on items of other comprehensive income	10	64,519	(64,791)
Other comprehensive income for the period, net of tax		(150,545)	151,179
<b>Total comprehensive income for the period</b>		<b>(5,551,539)</b>	(3,838,439)
Profit/loss for the period is attributable to:			
Non-controlling interests	27	(88,915)	6,524
Owners of the parent	21	(5,312,079)	(3,996,142)
		<b>(5,400,994)</b>	(3,989,618)
Total comprehensive income for the period is attributable to:			
Non-controlling interests		(125,985)	36,754
Owners of the parent		(5,425,554)	(3,875,193)
		<b>(5,551,539)</b>	(3,838,439)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
› Basic and diluted loss per share (cents)	11	(4.87)	(8.22)

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 2015

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	18,435,637	7,162,020
Current tax assets	10	3,110,530	2,292,038
Receivables	13	234,890	413,820
Prepayments		140,595	113,121
<b>Total Current Assets</b>		<b>21,921,652</b>	<b>9,980,999</b>
<b>Non-Current Assets</b>			
Available-for-sale financial assets	14	2,040,987	2,275,421
Plant and equipment	15	110,216	148,778
<b>Total Non-Current Assets</b>		<b>2,151,203</b>	<b>2,424,199</b>
<b>TOTAL ASSETS</b>		<b>24,072,855</b>	<b>12,405,198</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	17	1,970,810	1,604,668
Provisions	18	277,362	160,330
<b>Total Current Liabilities</b>		<b>2,248,172</b>	<b>1,764,998</b>
<b>Non-Current Liabilities</b>			
Provisions	19	41,143	86,165
Other liabilities		61,928	74,779
<b>Total Non-Current Liabilities</b>		<b>103,071</b>	<b>160,944</b>
<b>TOTAL LIABILITIES</b>		<b>2,351,243</b>	<b>1,925,942</b>
<b>NET ASSETS</b>		<b>21,721,612</b>	<b>10,479,256</b>
<b>EQUITY</b>			
Contributed equity	20	53,840,767	39,453,733
Accumulated losses	21	(28,375,300)	(23,239,721)
Reserves	21	(4,561,457)	(6,678,843)
Equity attributable to owners of the Company		<b>20,904,010</b>	<b>9,535,169</b>
Non-controlling interests	27	817,602	944,087
<b>TOTAL EQUITY</b>		<b>21,721,612</b>	<b>10,479,256</b>

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 2015

	Note	Contributed equity \$	Options reserve \$	Share-based payments reserve \$
<b>As at 1 July 2013</b>		<b>39,453,733</b>	<b>–</b>	<b>187,497</b>
Net unrealised gains on non-current listed investments for the period*	21	–	–	–
Loss for the year*		–	–	–
Total comprehensive income and expense for the year		–	–	–
Recognition of share-based payment	21	–	–	(41,251)
<b>Balance at 30 June 2014</b>		<b>39,453,733</b>	<b>–</b>	<b>146,246</b>
<b>As at 1 July 2014</b>		<b>39,453,733</b>	<b>–</b>	<b>146,246</b>
Net unrealised gains on non-current listed investments for the period*	21	–	–	–
Loss for the year*		–	–	–
Total comprehensive income and expense for the period		–	–	–
Recognition of share-based payment	21	–	–	418,294
Transfer of share-based payments reserve to retained earnings	21	–	–	(176,500)
Issue of ordinary shares and share options	20	14,387,034	1,989,067	–
<b>Balance at 30 June 2014</b>		<b>53,840,767</b>	<b>1,989,067</b>	<b>388,040</b>

\*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 \$
<b>(7,172,143)</b>	<b>226,105</b>	<b>(19,243,579)</b>	<b>13,451,613</b>	<b>907,333</b>	<b>14,358,946</b>
–	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)
<b>(7,172,143)</b>	<b>347,054</b>	<b>(23,239,721)</b>	<b>9,535,169</b>	<b>944,087</b>	<b>10,479,256</b>
<b>(7,172,143)</b>	<b>347,054</b>	<b>(23,239,721)</b>	<b>9,535,169</b>	<b>944,087</b>	<b>10,479,256</b>
–	(113,475)	–	(113,475)	(37,070)	(150,545)
–	–	(5,312,079)	(5,312,079)	(88,915)	(5,400,994)
–	(113,475)	(5,312,079)	(5,425,554)	(125,985)	(5,551,539)
–	–	–	418,294	–	418,294
–	–	176,500	–	–	–
–	–	–	16,376,101	(500)	16,375,601
<b>(7,172,143)</b>	<b>233,579</b>	<b>(28,375,300)</b>	<b>20,904,010</b>	<b>817,602</b>	<b>21,721,612</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Interest received		370,567	300,146
Royalty and licence income received		527,982	490,750
Grant income		215,396	–
Sales of Reagents		1,315	6,513
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		(8,433,956)	(7,439,845)
Income tax refund		2,292,040	2,468,129
<b>Net cash flows used in operating activities</b>	24	<b>(5,026,656)</b>	<b>(4,174,307)</b>
<b>Cash flows from investing activities</b>			
Acquisition of financial investments		–	(45,328)
Proceeds from sale of investments		39,185	505,483
Purchase of plant and equipment		–	(118,028)
<b>Net cash flows provided by investing activities</b>		<b>39,185</b>	<b>342,127</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity instruments of the Company			
Ordinary shares and options issued by rights issue		3,406,106	–
Ordinary shares and options issued through a new placement		14,000,000	–
Payment of share issue costs		(1,355,270)	–
<b>Net cash flows provided by financing activities</b>		<b>16,050,836</b>	<b>–</b>
Net increase/(decrease) in cash and cash equivalents		11,063,365	(3,832,180)
Effects of exchange rate changes on the balance of cash held in foreign currencies		210,252	(9,741)
Cash and cash equivalents at beginning of year		7,162,020	11,003,941
Cash and cash equivalents at the end of the year	12	<b>18,435,637</b>	7,162,020

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## 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. Amendments to AASBs and the new interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to AASBs relevant to the Group that are mandatorily effective for an accounting period that begins on or after 1 July 2014 and therefore relevant for the current year end.

AASB 2012-3 "Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities"	The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".  The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
AASB 2013-3 "Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets"	The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. The amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 "Fair Value Measurements".  The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements.
AASB 2014-1 "Amendments to Australian Accounting Standards" (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	The Annual Improvements 2010-2012 has made number of amendments to various AASBs, summarised below. <ul style="list-style-type: none"><li>› The amendments to AASB 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.</li><li>› The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.</li><li>› The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.</li><li>› The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.</li></ul>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

- › The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

AASB 1031 "Materiality", AASB 2013-9 "Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments" (Part B: Materiality), AASB 2014-1 "Amendments to Australian Accounting Standards" (Part C: Materiality)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the "Framework for the Preparation and Presentation of Financial Statements" (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## 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 15 "Revenue from Contracts with Customers" and AASB 2014-5 "Amendments to Australian Accounting Standards arising from AASB 15"	1 January 2017	30 June 2018
AASB 2014-4 "Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation"	1 January 2016	30 June 2017
AASB 2015-1 "Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle"	1 January 2016	30 June 2017
AASB 2015-2 "Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101"	1 January 2016	30 June 2017
AASB 2015-3 "Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality"	1 July 2015	30 June 2016

At the date of authorisation of the financial statements, there have been no IASB Standards and IFRIC Interpretations that are issued but not yet effective.



### 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 19 August 2015.

#### 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.

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2015

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 2015 and 2014 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2015

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 directors and 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).

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. A Monte Carlo simulation model is used to value the options issued.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2015

### 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 2015, no losses (2014: \$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 recognised certain adjustments in the accounts of the parent entity that were made as a result of the simplification of the Group's legal structure at 30 June 2015 (refer to note 33).

#### 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 internally using a Monte Carlo 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 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

	2015 \$	2014 \$
(a) Finance revenue		
Interest from:		
› Bank	417,510	271,251
› Other unrelated persons	5,639	3,680
	423,149	274,931
(b) Other revenue		
Royalties and licence fees	515,859	603,152
<b>Total Revenue</b>	<b>939,008</b>	<b>878,083</b>

## 7. OTHER INCOME

	2015 \$	2014 \$
Government grant income <sup>(i)</sup>	61,265	187,900
Net gain on disposal of available-for-sale investments	20,302	251,616
Net foreign exchange gain/(loss)	241,360	(48,515)
Other	1,315	6,513
	324,242	397,514

(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

	2015 \$	2014 \$
Research project costs <sup>(i)</sup>	5,585,692	3,613,066
	5,585,692	3,613,066

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

## 9. EXPENSES

	2015 \$	2014 \$
<b>(a) Impairment losses</b>		
Listed financial investments	–	7,172
Intangible asset impairment	–	500,000
	–	507,172
<b>(b) Occupancy expenses</b>		
Operating lease rentals	77,855	80,185
Outgoings	26,363	34,542
<b>Total occupancy expense</b>	<b>104,218</b>	<b>114,727</b>
<b>(c) Administrative expenses</b>		
Included in administrative expenses are:		
› Depreciation of:		
Equipment and furniture (note 15)	25,368	25,540
Leasehold improvements (note 15)	13,194	12,681
<b>Total depreciation expense</b>	<b>38,562</b>	<b>38,221</b>
› Loss on sale of non-current assets	–	13,575
› Employee benefits expense:		
Salaries and fees	1,643,096	1,843,888
Cash bonuses	335,440	2,500
Superannuation	180,773	173,883
Share-based payments expense/(write back) (note 29)	383,864	(41,251)
<b>Total employee benefits expense</b>	<b>2,543,173</b>	<b>1,979,020</b>
› Other administrative expenses		
Travel expenses	108,929	116,459
Insurance	89,434	81,757
Consultancy fees	39,841	99,394
Legal fees	–	118,538
Payroll tax	72,300	76,924
Investor relation and share registry related costs	171,828	259,236
Audit and accounting	147,630	169,000
Other expenses	138,153	371,535
<b>Total other administrative expenses</b>	<b>768,115</b>	<b>1,292,843</b>
<b>Total administrative expenses</b>	<b>3,349,850</b>	<b>3,323,659</b>

## 10. INCOME TAX

	2015 \$	2014 \$
<b>(a) Income tax benefit</b>		
The major components of income tax benefit are:		
<b>Statement of Comprehensive Income</b>		
<b>Current tax</b>		
Current income tax credit	3,110,530	2,292,038
Under recognition of prior year benefit	–	507,923
	3,110,530	2,799,961
<b>Deferred tax</b>		
In respect of the current year	(390,270)	59,442
Total income tax benefit recognised in the statement of comprehensive income	2,720,260	2,859,403
<b>(b) Amounts charged or credited directly to equity</b>		
<b>Deferred income tax related to items credited/(charged) directly to equity</b>		
Net unrealised gain/(loss) on listed investments	64,519	(64,791)
Share issue expenses deductible over 5 years	325,265	–
Income tax benefit/(expense) reported in equity	389,784	(64,791)
<b>(c) Current tax assets</b>		
Research and Development Tax incentive credit receivable	3,110,530	2,292,038
<b>(d) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and expense calculated per the statutory income tax rate</b>		
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:		
	2015 \$	2014 \$
Accounting loss before tax	(8,121,254)	(6,849,021)
At the parent entity's statutory income tax rate of 30% (2014: 30%)	2,436,376	2,054,706
Research and development tax credit refundable	3,110,530	2,292,038
Write off of temporary differences and tax losses not recovered	(2,880,739)	(1,480,473)
Adjustments recognised in current year in relation to the current tax of prior year	54,093	(6,868)
Income tax benefit reported in the statement of comprehensive income	2,720,260	2,859,403

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
<b>(e) Recognised deferred tax assets and liabilities in statement of financial position</b>		
Deferred income tax at 30 June relates to the following:		
<b>Deferred tax liabilities:</b>		
Revaluation of listed investments to fair value	(11,499)	(42,782)
Interest and royalty income receivable (future assessable income)	(57,179)	(13,353)
	<b>(68,678)</b>	<b>(56,135)</b>
<b>Deferred tax assets:</b>		
Revaluation of listed investments to fair value	536,797	504,015
Other timing differences including income received in advance	117,076	178,286
Employee provisions	95,551	73,948
Temporary differences:		
Associated with intellectual property	2,488,932	2,467,494
Associated with other miscellaneous items	395,669	23,545
	<b>3,634,025</b>	<b>3,247,288</b>
Less: temporary differences not recognised	<b>(3,565,347)</b>	<b>(3,191,153)</b>
Net deferred tax recognised in the statement of financial position	–	–

### (f) Unrecognised temporary differences

Temporary differences with respect to deferred tax assets associated with investments, intellectual property and other miscellaneous items which have a low probability of realisation are unrecognised. These amounted to \$3,565,347 at year end (2014: \$3,191,153).

### (g) Tax consolidation

#### (i) Members of the tax consolidated group

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

#### (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.

### (h) Carry forward unrecognised tax losses

The Group had income tax losses of \$12,857,080 and capital losses of \$877,704 at year end (2014: income tax losses of \$12,298,258 and capital losses of \$877,704) for which no deferred tax asset is recognised on the statement of financial position as they are currently not considered probable of realisation. These tax losses are available indefinitely for offset against future assessable income subject to continuing to meet relevant statutory tests.

#### (i) Franking credit balance

The franking account balance at the end of the financial year at 30% is \$330,630 (2014: \$330,630), which represents the amount of franking credits available for the subsequent financial year.

## 11. EARNINGS PER SHARE

	2015 \$	2014 \$
The following reflects the income used in the basic and diluted earnings per share computations:		
<b>(a) Earnings used in calculating earnings per share</b>		
Net loss attributable to ordinary equity holders of the parent	(5,312,079)	(3,996,142)
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares on issue for basic earnings per share	109,093,292	48,633,015
Effect of dilution:		
Conditional rights	—	—
Share options	—	—
Weighted average number of ordinary shares adjusted for the effect of dilution	109,093,292	48,633,015

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. Although the options granted under the LTIP and NED Plan 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

	2015 \$	2014 \$
Cash at bank and in hand	2,285,637	2,412,020
Short-term deposits	16,150,000	4,750,000
	18,435,637	7,162,020

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 2.93% (2014: 3.47%).

## 13. CURRENT ASSETS – RECEIVABLES

	2015 \$	2014 \$
Interest receivable	54,860	2,278
GST receivable <sup>(i)</sup>	60,746	122,727
Other <sup>(i)</sup>	119,284	288,815
Total current receivables	234,890	413,820

(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

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

	Ownership interest		Fair value <sup>(i)</sup>		Cost of investment	
	2015 %	2014 %	2015 \$	2014 \$	2015 \$	2014 \$
<b>Listed investments</b>						
<b>Non-current investments</b>						
Antisense Therapeutics Ltd	8.14%	9.97	1,651,584	2,010,622	3,548,269	3,548,269
Optiscan Imaging Limited	4.00%	4.95	389,403	248,555	786,131	786,131
Other listed investments held in Syngene Ltd less than 1% interest			–	16,244	–	20,888
			<b>2,040,987</b>	<b>2,275,421</b>	<b>4,334,400</b>	<b>4,355,288</b>

(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

	2015 \$	2014 \$
<b>Equipment and furniture at cost</b>		
Opening balance	175,865	257,395
Additions	–	38,863
Disposals	–	(120,393)
Closing balance	175,865	175,865
<b>Accumulated depreciation</b>		
Opening balance	(93,571)	(179,310)
Depreciation for the year	(25,368)	(25,540)
Disposals	–	111,279
Closing balance	(118,939)	(93,571)
Net carrying amount	56,926	82,294
<b>Leasehold improvements at cost</b>		
Opening balance	79,165	79,478
Additions	–	79,165
Disposals	–	(79,478)
Closing balance	79,165	79,165
<b>Accumulated depreciation</b>		
Opening balance	(12,681)	(75,017)
Depreciation for the year	(13,194)	(12,681)
Disposals	–	75,017
Closing balance	(25,875)	(12,681)
Net carrying amount	53,290	66,484
Total plant and equipment, net	110,216	148,778

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

## 16. INTANGIBLE ASSETS

	2015 \$	2014 \$
Carrying amounts of:		
Intellectual property – at cost	–	500,000
Less: impairments	–	(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

	2015 \$	2014 \$
Creditors (unsecured) <sup>(i)</sup>	1,714,440	1,326,516
Income received in advance	212,602	197,336
PAYG tax liability	43,768	78,316
Withholding tax payable	–	2,500
	1,970,810	1,604,668

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

## 18. CURRENT LIABILITIES – PROVISIONS

	2015 \$	2014 \$
Annual leave	180,182	136,570
Long-service leave	97,180	23,760
	277,362	160,330

## 19. NON-CURRENT LIABILITIES – PROVISIONS

	2015 \$	2014 \$
Long-service leave	41,143	86,165



## 20. CONTRIBUTED EQUITY

	2015 \$	2014 \$
<b>(a) Ordinary shares</b>		
Issued and fully paid at 30 June	<b>53,840,767</b>	39,453,733
<b>Movement in ordinary shares:</b>		
Opening balance	<b>39,453,733</b>	39,453,733
Issue of shares <sup>(i)</sup>	<b>17,406,106</b>	–
Share issue costs	<b>(1,355,270)</b>	–
Income tax relating to share issue costs	<b>325,265</b>	–
Transfer to option reserve	<b>(1,989,067)</b>	–
	<b>53,840,767</b>	39,453,733
<b>Ordinary shares on issue:</b>	<b>No.:</b>	<b>No.:</b>
Opening balance	<b>48,633,015</b>	48,633,015
Issue of shares <sup>(i)</sup>	<b>99,457,288</b>	–
	<b>148,090,303</b>	48,633,015

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

(i) Issued capital at 30 June 2015 amounted to \$53,840,767 (148,090,303 fully paid ordinary shares) net of share issue costs, tax and amounts taken to the options reserve. During the year, the Company issued 99,457,288 ordinary fully paid shares for \$17,406,106. The Company also issued quoted options to purchase 49,726,672 ordinary shares with an exercise price of \$0.27 expiring on 25 November 2018. The fair value of the options at their issue date of \$1,989,067 has been recognised in the options reserve (note 21).

### Share options

The Company has two share based-payment schemes, the Long-Term Incentive Plan and Non-Executive Director Share and Option Plan, under which options to subscribe for the Company's shares have been granted to certain employees and directors. The Company issued 2,100,000 share options over ordinary shares under these plans during the year. These share options had a fair value at their grant date of \$0.17 per share option.

The Company also operated a Conditional Rights Scheme established to offer eligible employees conditional rights to a specified number of Circadian shares subject to certain milestones. All rights granted under the Conditional Rights Scheme lapsed during the year.

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

## 21. RETAINED EARNINGS AND RESERVES

	2015 \$	2014 \$
<b>(a) Movements in retained earnings were as follows:</b>		
Balance at 1 July	(23,239,721)	(19,243,579)
Net loss for the period	(5,312,079)	(3,996,142)
Release of amortised share-based payments	176,500	—
Balance at 30 June	(28,375,300)	(23,239,721)
<b>(b) Reserves</b>		
Net unrealised gains reserve <sup>(i)</sup>	233,579	347,054
Share-based payments reserve <sup>(ii)</sup>	388,040	146,246
Option reserve <sup>(iii)</sup>	1,989,067	—
Equity reserve attributable to parent <sup>(iv)</sup>	(7,172,143)	(7,172,143)
Total reserves	(4,561,457)	(6,678,843)
<b>(i) Movement in net unrealised gains reserve:</b>		
Opening balance	347,054	226,105
Net gains/(loss) on non-current listed investments for the period	(215,064)	215,970
Tax effect on above net gains (note 10)	64,519	(64,791)
NCI share of revaluation of listed investments net of tax	37,070	(30,230)
Net gains/(losses) on non-current listed investments for the period after tax	(113,475)	120,949
Closing balance	233,579	347,054
<b>(ii) Movement in share-based payments reserve:</b>		
Opening balance	146,246	187,497
Share-based payments expense/(written back) (Note 29)	418,294	(41,251)
Released to retained earnings	(176,500)	—
Closing balance	388,040	146,246
<b>(iii) Movement in option reserve:</b>		
Opening balance	—	—
Fair value of quoted options issued	1,989,067	—
Closing balance	1,989,067	—
<b>(iv) Movement in equity reserve attributable to parent:</b>		
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.

#### *Share-based payment reserve*

This reserve is used to record the value of equity benefits provided to executives and employees as part of their remuneration and includes the value of options granted to the Company's corporate advisors.

#### *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.

#### *Option reserve*

The Company issued options to purchase 49,726,672 ordinary shares with an exercise price of \$0.27 expiring on 25 November 2018. The fair value of the options at their issue date of \$1,989,067 has been recognised in the options reserve.

## 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 2015, 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	
	2015 %	2014 %	2015 \$	2014 \$
<b>Consolidated</b>				
+ 0.50% (50 basis points) (2014: + 0.50%)	80,750	23,750	–	–
– 0.50% (50 basis points) (2014: – 0.50%)	(80,750)	(23,750)	–	–

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 2015 (2014: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2015

Significant assumptions used in the interest rate sensitivity analysis include:

- › The reasonably possible movement of 0.5% was calculated by taking the interest rates as at balance date, moving these by plus and minus 0.5% and then re-calculating the interest on term deposits with the "new-interest-rate".
- › 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.

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 2015, 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
	2015 \$	2015 \$	2014 \$	2014 \$
<b>Consolidated</b>				
<b>Change in variables</b>				
10% increase in listed share price	–	142,869	–	159,279
10% decrease in listed share price	–	(142,869)	–	(159,279)

### (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	JPY
2015	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash	1,007,768	–	–	–	–	–
Receivables	70,440	1,449	–	–	–	–
<b>Financial liabilities</b>						
Payables	(338,056)	(8,853)	(18,849)	(313,860)	(55,905)	(6,124)
Net exposure	740,153	(7,404)	(18,849)	(313,860)	(55,905)	(6,124)

	Consolidated					
	USD	EURO	GBP	CAD	CHF	JPY
2014	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash	1,126,696	–	33,689	–	–	–
Receivables	41,220	1,013	–	–	–	–
<b>Financial liabilities</b>						
Payables	(431,038)	(173,573)	(24,964)	(67,617)	(41,587)	(2,185)
Net exposure	736,878	(172,560)	8,725	(67,617)	(41,587)	(2,185)

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

At 30 June 2015, 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	
	2015 %	2014 %	2015 \$	2014 \$
<b>Consolidated</b>				
AUD/USD +5%	(35,245)	(35,089)	–	–
AUD/USD –10%	82,239	81,875	–	–
AUD/Euro +5%	353	8,217	–	–
AUD/Euro –10%	(823)	(19,173)	–	–
AUD/GBP +5%	898	(415)	–	–
AUD/GBP –10%	(2,094)	969	–	–
AUD/CHF +5%	2,662	1,980	–	–
AUD/CHF –10%	(6,212)	(4,621)	–	–
AUD/CAD +5%	14,946	3,220	–	–
AUD/CAD –10%	(34,873)	(7,513)	–	–

The reasonably possible movements at 30 June 2015 are higher than at 30 June 2014 due to the higher net exposure to the US and Canadian dollar. There was minimum or insignificant exposure to the GBP and Euro during the current financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

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 2015 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:

Name of company	Parent entity % equity interest	
	2015 \$	2014 \$
Circadian Shareholdings Pty Ltd <sup>(i)</sup>	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	100	100
Ceres Oncology Pty Ltd	100	100

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

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

	2015 \$	2014 \$
<b>(a) Reconciliation to cash at the end of year</b>		
Cash at bank and in hand (Note 12)	18,435,637	7,162,020
	<b>18,435,637</b>	<b>7,162,020</b>
<b>(b) Reconciliation of net loss after tax to net cash flows from operations</b>		
Net loss for the year	(5,400,994)	(3,989,618)
<b>Adjustments for:</b>		
Income tax benefit recognised in profit or loss	(2,720,260)	(2,859,403)
Depreciation of non-current assets	38,562	38,221
Net loss on disposal of non-current assets	–	13,575
Net profit on disposal of investments	(20,302)	(251,616)
Share-based payments – directors and employees	383,864	(41,251)
Share-based payments – corporate advisory services	34,430	–
Impairment losses on non-current financial investments	–	7,172
Impairment loss recognised on intangible asset	–	500,000
Impairment loss recognised on trade receivables	18,544	104,202
Net exchange differences	(210,252)	9,741
	<b>(2,475,414)</b>	<b>(2,479,359)</b>
<b>Movements in working capital:</b>		
(Increase)/decrease in prepayments	(27,474)	30,433
(Increase)/decrease in interest receivable	(52,582)	25,215
Decrease/(increase) in other receivables	212,969	(179,426)
Increase in payables	352,789	80,671
Increase/(decrease) in employee provisions	72,010	(130,352)
Net cash used in operating activities	<b>(7,318,696)</b>	<b>(6,642,436)</b>
Income tax refund	2,292,040	2,468,129
Net cash generated by operating activities	<b>(5,026,656)</b>	<b>(4,174,307)</b>

## 25. COMMITMENTS

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

The Group has a commercial lease for its office premises for a period of six years from 15 July 2013. The Group also leases laboratory facilities on an annual basis.

	2015 \$	2014 \$
Within one year	146,056	90,939
After one year but not more than five years	318,133	390,800
	<b>464,189</b>	<b>481,739</b>

### (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:

	2015 \$	2014 \$
Within one year	2,088,372	3,216,270
After one year but not more than five years	831,280	320,272
After more than five years	254,636	227,778
	<b>3,174,288</b>	<b>3,764,320</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

## 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 (2014: \$NIL) and those which could become payable in more than one year total \$15,412,932 (2014: \$2,309,722). 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.

The Group had a bank guarantee outstanding at 30 June 2015 in respect of a rental deposit for its office premises of \$43,841 (2014: \$43,841).

## 27. NON-CONTROLLING INTEREST

	2015 \$	2014 \$
Balance at beginning of year	944,087	907,333
Share of (loss)/profit for the period	(88,915)	6,524
Share of other comprehensive income for the period	(37,070)	30,230
Additional non-controlling interest arising due to share buy back	(500)	–
Balance at end of year	817,602	944,087

## 28. KEY MANAGEMENT PERSONNEL

### (a) Compensation of key management personnel

	2015 \$	2014 \$
Short-term employee benefits	878,685	1,399,953
Post employment benefits	83,474	128,643
Termination benefits	–	70,233
Share-based payments expense	362,932	38,074
Total compensation	1,325,091	1,636,903

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) Legal fees, including miscellaneous expenses, totalling \$177,429 (2014: \$115,966) 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.
- (ii) Website expenses totalling \$4,883 (2014: \$9,684) were incurred during the year by the Group for services provided by Helix Digital Pty Ltd of which Dominique Fisher, Chairman of the Company, was the managing director. These fees were charged at a discount to the company's commercial rates.

## 29. SHARE-BASED PAYMENTS

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

The expense recognised for share-based payments during the year is shown in the table below:

	2015 \$	2014 \$
Expense/(write back) arising from equity-settled share-based payment transactions:		
Director and employee services received	383,864	(41,251)
Corporate advisory services	34,430	–
	418,294	(41,251)

### (b) Non-executive director and employee share option plans

During the year, the Group introduced an ownership-based compensation scheme for non-executive directors, executives and senior employees. In accordance with the terms of the plans, as approved by shareholders at the 2014 Annual General Meeting, eligible non-executive directors, executives and senior employees with the Group may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of Circadian Technologies Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is subject to approval by the Board and rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria as determined by the Board on a case by case basis.

All rights granted and vested under the Conditional Rights Scheme established on 4 March 2011 lapsed during the year. No rights are eligible to be exercised by any of the recipients under this scheme.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options/Rights series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
Conditional rights scheme – March '11	22 March 2011	\$0.25	\$0.00	31 March 2015	4 September 2012
Conditional rights scheme – May '12	16 May 2012	\$0.11	\$0.00	31 March 2015	4 September 2012
Long-term incentive plan (LTIP)	18 November 2014	\$0.17	\$0.00	25 May 2018	25 May 2015
Non-executive director share and option plan (NED Plan)	18 November 2014	\$0.17	\$0.00	25 May 2018	25 May 2015

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

**(c) Share-based payment to corporate advisor**

In January 2015, the Company issued 1,000,000 options to purchase ordinary shares to Bell Potter Securities in consideration for services to be provided under a Corporate Advisory Agreement. The options are exercisable from 13 January 2016 at an exercise price of \$0.2625 and expire on 13 January 2018. The issue of the options was approved by members at the 2014 Annual General Meeting. The fair value of the options is \$0.075 per option.

**(d) Fair value of share options granted in the year**

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past three years.

**Inputs into the option pricing model**

				Conditional Rights	
	Bell Potter options	LTIP	NED Plan	16 May 2012	22 March 2011
Grant date share price	\$0.16	\$0.17	\$0.17	\$0.44	\$0.70
Exercise price	\$0.2625	\$0.00	\$0.00	\$0.00	\$0.00
Fair value per option/right	\$0.075	\$0.17	\$0.17	\$0.11	\$0.2034–\$0.25
Expected volatility	80%	125%	125%	50%	45%
Option life	2 years	18 months	18 months	2.8 years	4 years
Dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate	2.40%	2.47%	2.47%	2.60%	5.04%
Model used	Monte Carlo	Monte Carlo	Monte Carlo	Binomial	Binomial

All options granted under the LTIP and NED Plan vested during the year and were exercised on 1 July 2015. The fair value of approximately \$0.17 per option was used to value the options to determine the share-based payment expense of these options in the year.

**(e) Movements in share options during the period**

The following reconciles the share options outstanding at the beginning and end of the year:

	30 June 2015		30 June 2014	
	Number of options and rights \$	Weighted average exercise price \$	Number of options and rights \$	Weighted average exercise price \$
Balance at beginning of year	805,000	–	1,510,000	–
Granted during the year:				
Under the LTIP and NED Plans	2,100,000	–	–	–
Corporate advisory	1,000,000	\$0.2625	–	–
Exercised during the year	–	–	–	–
Expired during the year	(805,000)	–	–	–
Forfeited during the year	–	–	(705,000)	–
Balance at end of year	3,100,000	\$0.085	805,000	–
Exercisable at end of year	2,100,000	–	–	–

The share options outstanding at the end of the year had a weighted average exercise price of \$0.085 (2014: \$Nil) and a weighted average remaining contractual life of 1,017 days (2014: 274 days).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2015

### 30. NET TANGIBLE ASSET BACKING

	2015 \$	2014 \$
Net tangible asset backing per ordinary security	0.15	0.22

### 31. AUDITORS' REMUNERATION

The auditor of Circadian Technologies Limited is Deloitte Touche Tohmatsu.

	2015 \$	2014 \$
Amounts received or due and receivable by Deloitte (Australia) for:	92,700	89,130
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
	92,700	100,250

### 32. 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.

### 33. 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

	2015 \$	2014 \$
Current assets	20,257,261	5,694,648
Non-current assets	2,059,563	54,089,646
Total assets	22,316,824	59,784,294
Current liabilities	1,103,386	356,690
Non-current liabilities	148,747	27,462,676
Total liabilities	1,252,133	27,819,366
Net assets	21,064,691	31,964,928
Issued capital	53,840,767	39,453,733
Retained earnings	(35,181,787)	(7,565,061)
Option reserve	1,989,067	–
Employee equity benefits reserve	388,040	146,246
Net unrealised gains reserve	28,604	(69,990)
Total shareholders' equity	21,064,691	31,964,928

#### (b) Financial performance

	Year ended 30 June 2015	Year ended 30 June 2014
Loss of the parent entity	(27,616,726)	(12,613,493)
Other comprehensive income/(expense)	98,594	(231,985)
Total comprehensive loss of the parent entity	(27,518,132)	(12,845,478)

**(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 2015 (2014: Nil).

**(d) Parent entity contingent liabilities**

The parent entity had a bank guarantee outstanding at 30 June 2015 in respect of a rental deposit for its office premises of \$43,841 (2014: \$43,841).

**(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) Legal entity simplification**

Consistent with the strategic focus of the Group in developing the OPT-302 asset and to prepare for the simplification of the legal entity structure, the parent entity has forgiven loans and receivables to wholly owned subsidiaries during the period ended 30 June 2015.

The elimination of these intercompany balances has resulted in a reduction of non-current assets totalling \$48.7 million and non-current liabilities totalling \$27.3 million. This treatment also resulted in an impairment of the investments in the subsidiaries of the Company totalling \$6 million. The net effect of these adjustments on the parent entity's loss for the year was \$27.4 million. The net assets of the parent entity are now aligned with those of the consolidated group.

# DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2015

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 2015 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 2015.

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  
19 August 2015

## **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 2015, 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 60.

#### *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.

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 2015 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 9 to 18 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorweg  
Partner  
Chartered Accountants  
Melbourne, 19 August 2015



# ASX ADDITIONAL INFORMATION

## 1. DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, of quoted fully paid ordinary shares as at 12 August 2015 is as follows:

Category	Fully paid ordinary shares	
	No. of holders	No. of shares
1– 500	88	24,668
501–1,000	369	352,049
1,001–5,000	1,061	2,848,737
5,001–10,000	346	2,696,604
10,001–100,000	421	13,019,488
100,001–9,999,999,999	74	131,248,757
<b>Total</b>	<b>2,359</b>	<b>150,190,303</b>

Number of shareholders holding less than a marketable parcel of shares: 985 1,274,076

## 2. TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of quoted fully paid ordinary shares and their respective holdings at 12 August 2015 are:

Rank	Name	No. of shares	% Interest
1.	National Nominees Limited	23,087,445	15.4%
2.	Citicorp Nominees Pty Limited	16,467,484	11.0%
3.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	13,537,758	9.0%
4.	HSBC Custody Nominees (Australia) Limited	13,197,020	8.8%
5.	BNP Paribas Noms Pty Ltd <Drp>	12,702,988	8.5%
6.	J P Morgan Nominees Australia Limited	7,894,306	5.3%
7.	Armada Trading Pty Limited	5,714,286	3.8%
8.	Jagen Pty Ltd	5,714,286	3.8%
9.	Ludwig Institute For Cancer Research Ltd	3,122,090	2.1%
10.	UBS Nominees Pty Ltd	2,500,000	1.7%
11.	HSBC Custody Nominees (Australia) Limited - A/C 3	2,000,000	1.3%
12.	Capital Macquarie Pty Limited	1,928,304	1.3%
13.	Megan Baldwin	1,533,674	1.0%
14.	Dr Choon-Joo Kho	1,200,000	0.8%
15.	Octavian Services Pty Ltd	1,200,000	0.8%
16.	4 Eyes Limited <Worsley Family A/C>	1,165,890	0.8%
17.	Chemical Trustee Limited	1,158,108	0.8%
18.	CS Fourth Nominees Pty Ltd	1,037,059	0.7%
19.	Capita Trustees Limited <Mk Pension Plan-473278 A/C>	946,462	0.6%
20.	Traders Macquarie Pty Limited	907,161	0.6%
<b>Top 20 holders of ordinary fully paid shares</b>		<b>117,014,321</b>	<b>77.89%</b>
<b>Total remaining holders balance</b>		<b>33,175,982</b>	<b>22.09%</b>

## 3. SUBSTANTIAL SHAREHOLDERS

The following information is current at 12 August 2015 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
BVF Partners LP	26,922,530
Baker Brothers Life Sciences LP	13,537,758
Packer and Co Limited	12,700,488

## 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

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

