Cyclopharm Limited
Appendix 4E - Preliminary Final Report
For the year ended 31 December 2006

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To	COMPANY ANNOUNCEMENTS OFFICE		
Company	ASX	Fax Number	02 9227 0334
Date	26 February 2007	No of Pages	45 incl. cover
From	William Richardson	Fax Number	03 9820 5957
Subject	Appendix 4E		

Please see attached Appendix 4E - Preliminary Final Report for Cyclopharm Limited (ASX - CYC).

This announcement is made pursuant to Listing rule 4.3A. For all enquiries please contact

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Company Secretary
Cyclopharm Limited

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1. Company details

Name of entity

CYCLOPHARM LIMITED

ABN or equivalent company reference	Financial year ended ('current period')	Financial year ended ('previous period')
74 116 931 250	31 December 2006	31 December 2005

2. Results for announcement to the market

2.1 Revenues from ordinary activities	up	17%	to	10,331,832
2.2 Profit from ordinary activities after tax attributable to members	up	5%	to	2,027,980
2.3 Net profit for the period attributable to members	up	28%	to	2,027,980

2.4 Dividends	Amount per security	Franked amount per security
Final dividend proposed	Nil	Nil
Interim dividend	Nil	Nil

2.5 Record date for determining entitlements for the final dividend

Nil

2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.

Refer to Section 14.

3. Income Statement

Refer Attachment 1.

4. Balance Sheet

Refer Attachment 1.

5. Cash Flow Statement

Refer Attachment 1.

6. Dividends

Nil

7. Dividend reinvestment plans

Proposal to be put to shareholders at Annual General Meeting.

8. Statement of Changes in Equity

Refer Attachment 1.

9. Net tangible assets

Refer Attachment 1.

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10. Entities over which control has been gained or lost during the period

Refer Attachment 1.

11. Details of associates and joint venture entities

Nil.

12. Significant Information

Refer Attachment 1.

13. Foreign Entities

Refer Attachment 1.

14. Commentary on results for the period

Welcome to the first full year report for Cyclopharm Limited.

Operating Performance

It has been an exciting time for all those involved in Cyclopharm and the future of the company is extremely bright.

During 2006 sales increased by 17% to a record level of $10.33 million (2005 $8.80 million).

Our net profit after tax attributable to members was $2.03 million, a 28% increase compared to 2005 ($1.58 million)

Our net profit after tax from ordinary activities of $2.03 million increased 5% compared to 2005 ($1.98 million), We are satisfied with this result as the 2006 expenses were impacted by the recruiting of key staff members and the costs associated with the launch and marketing of the TechnegasPlus generator. We have also written off the initial expenses associated with establishing our Molecular Imaging business.

We are delighted to report that sales of Patient Administration Sets ("PAS") were at record levels and increased 8.4% compared to the previous year. 171,050 people in 49 countries benefited from Technegas during 2006 (This represents 3,421 boxes of 50 PAS). Total sales of PAS was 157,850 (3,157 boxes of PAS) in 2005.

Sales and placements of Technegas generators increased 48% to 93 units for 2006, compared with 63 for 2005. The launch of our new TechnegasPlus generator during the year revitalized several markets.

We have focused heavily on existing markets in Europe throughout 2006. We are very pleased to report that we are achieving growth in several key markets. Our strategy in Germany is working well. Our purchase of "Amedis Altmann" during 2005 has delivered strong growth in that market, with sales of PAS reaching 13,200 (264 boxes) compared to 2005 of 8,200 (164 boxes). This represents growth of 61%. Overall revenue from Germany rose 350% compared to 2005.

In France, which is our largest market in the world, we have been able to grow both sales of PAS and Technegas generators. PAS sales grew by a modest 5%, but generator sales grew by 23%. As a result of our restructured operations, revenue from France grew by 49%. We expect further growth in 2007.

Our growth market of Canada continues to perform well. We achieved another year of record sales with the number of PAS reaching 16,950 (339 boxes) compared with 2005 level of 13,250 (265 boxes). This represents growth of 28%. We are hoping for continued growth in 2007.

We continue to dominate several mature markets in Europe and hold our market shares in others. Total sales of PAS in 2007 in Europe (excluding Germany) was 100,000 (2,000 boxes) compared to 91,000 (1,822 boxes) in 2005, an increase of 6%.

We have increased our effort to develop the Asian and Latin American markets. We achieved growth of Asian revenues of 34% during 2006, notwithstanding sales were impacted during the latter part of the year because of delays in registration of the TechnegasPlus. We continue to develop markets in Latin America and we are hopeful for good results from this market in 2007.

In Australia sales / placement of generators increased by 36%. Sales of PAS declined by 6%. Overall income from the Australian operation increased by 2%. We have increased our efforts in terms of sales and marketing in Australia and we are confident we can achieve growth in our home market during 2007.

We continued to develop new markets in Tunisia and Oman, Panama, Dominican Republic, Columbia, Peru and Venezuela. We are hopeful that we will make our first sales into Brazil during 2007.

FDA

Our New Drug Application (aimed at getting Technegas approved for sale in the USA) is progressing. The rate of patient enrollment is critical to the timing of a successful completion of the program, and whilst enrolments are slow, our aim is to make our first sales into the USA sometime during 2008.

New Business - Molecular Imaging

We continue to work towards finalizing an agreement(s) to develop radiopharmaceutical production centers in Australia. We are making very good progress in terms of our negotiations with a number of potential sites and hope to enter into Heads of Agreements with selected partners sometime in the next 6 months.

15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.

The report is based on accounts which are in the process of being audited.

16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below

Not applicable.

17. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below

Not applicable.

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2006

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

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Income Statement

for the year ended 31 December 2006

	Notes	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT 2006 $	PARENT 2005 $
CONTINUING OPERATIONS					
Revenue					
Sales revenue	4	10,331,832	8,806,252	-	-
Finance revenue	4	10,856	210,475	-	-
Other income	4	-	109,070	-	-
		10,342,688	**9,125,797**	-	-
Cost of sales	4b	(2,757,439)	(2,027,960)	-	-
Employee benefits expense		(2,285,455)	(2,016,271)	-	-
Advertising and promotion expense		(136,331)	(66,706)	-	-
Depreciation and amortisation expense	4d	(97,951)	(78,878)	-	-
Freight and duty expense		(296,917)	(282,864)	-	-
Research and development expense	4e	(20,162)	(31,571)	-	-
Administration expense		(1,572,594)	(1,516,600)	(64,254)	-
Other expenses		(549,675)	(382,048)	-	-
Profit / (loss) before tax and finance costs		**2,626,164**	**2,722,899**	**(64,254)**	**-**
Finance costs	4c	(286,857)	(53,579)	(234,519)	-
Profit / (loss) before income tax		**2,339,307**	**2,669,320**	**(298,773)**	-
Income tax (expense) / benefit	5	(311,327)	(687,066)	106,973	-
Profit / (loss) from continuing operations		**2,027,980**	**1,982,254**	**(191,800)**	-
DISCONTINUED OPERATIONS					
Loss from discontinued operations	4f	-	(345,491)	-	-
Profit for the year		**2,027,980**	**1,636,763**	**(191,800)**	-
Net profit attributable to minority interests		-	(54,734)	-	-
Net profit / (loss) attributable to members of the parent		**2,027,980**	**1,582,029**	**(191,800)**	-
Earnings per share (cents per share)	6				
-basic earnings per share for continuing operations		0.02	0.38		
-basic earnings per share for discontinued operations		-	(0.07)		
-diluted earnings per share		0.02	0.38		

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Balance Sheet

as at 31 December 2006

		CONSOLIDATED		PARENT	
		2006	2005	2006	2005
	Notes	$	$	$	$
Assets					
Cash and cash equivalents	7	1,403,328	152,552	620,845	-
Trade and other receivables	8	3,593,728	2,562,246	16,326	10
Inventories	9	2,013,488	1,217,353	-	-
Other assets		-	183,915	-	-
Total Current Assets		**7,010,544**	**4,116,066**	**637,171**	**10**
Trade and other receivables	8	145,830	-	1,307,458	-
Other financial assets	11	-	-	6,064,863	-
Deferred tax assets	5	144,894	92,902	43,922	-
Property, plant and equipment	10	847,235	1,088,526	-	-
Intangibles	12	1,057,743	204,564	-	-
Total Non-current Assets		**2,195,702**	**1,385,992**	**7,416,243**	**-**
Total Assets		**9,206,246**	**5,502,058**	**8,053,414**	**10**
Liabilities					
Trade and other payables	13	2,647,223	1,588,135	1,162,800	-
Current income tax liability	5	197,745	41,732	-	-
Interest bearing loans and borrowings	14	1,346,893	527,821	725,000	-
Provisions	15	228,697	146,443	-	-
Total Current Liabilities		**4,420,558**	**2,304,131**	**1,887,800**	**-**
Interest bearing loans and borrowings	14	4,975,000	-	4,975,000	-
Provisions	15	120,769	88,606	-	-
Deferred tax liabilities	5	255,979	63,514	-	-
Total Non-current Liabilities		**5,351,748**	**152,120**	**4,975,000**	**-**
Total Liabilities		**9,772,306**	**2,456,251**	**6,862,800**	**-**
Net (Liabilities) / Assets		**(566,060)**	**3,045,807**	**1,190,614**	**10**
Equity					
Contributed Equity	16	1,237,703	6,427,351	1,382,414	10
Foreign currency translation reserve		(431,033)	(624,412)	-	-
Accumulated losses		(1,372,730)	(2,690,316)	(191,800)	-
Parent entity interests		(566,060)	3,112,623	1,190,614	10
Minority interests		-	(66,816)	-	-
Total Equity		**(566,060)**	**3,045,807**	**1,190,614**	**10**

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Cash Flow Statement

for the year ended 31 December 2006

		CONSOLIDATED		PARENT	
		2006	2005	2006	2005
	Notes	$	$	$	$
Receipts from customers and related parties		9,125,112	7,383,891	-	-
Payments to suppliers and employees		(7,618,288)	(5,727,101)	(80,559)	-
Interest received		10,856	9,750	-	-
Borrowing costs paid		(286,856)	(53,579)	(234,519)	-
Income tax paid		(61,730)	(142,434)	-	-
Net cash flows from operating activities		**1,169,094**	**1,470,527**	**(315,078)**	**-**
Acquisition of minority interest in subsidiaries		(6,168,095)	-	(6,064,863)	-
Purchase of property, plant and equipment		(17,695)	(90,012)	-	-
Proceeds from sale of property, plant and equipment		800	-	-	-
Payments for research and development		(495,574)	(81,372)	-	-
Other		-	(38,542)	-	-
Net cash flows from investing activities		**(6,680,564)**	**(209,926)**	**(6,064,863)**	**-**
Proceeds from issue of shares		1,695,290	-	1,695,300	-
Costs of raising capital		(312,897)	-	(312,897)	
Other contributed equity from transferred tax liabilities		-	446,312	-	-
Proceeds from borrowings		6,000,000	-	6,000,000	-
Repayment of borrowings		(300,000)	(1,894,818)	(300,000)	-
Loan from related entity		1,102,065	-	1,269,763	-
Loans to related entities		(1,238,377)	-	(1,351,380)	-
Net cash flows from financing activities		**6,946,081**	**(1,448,506)**	**7,000,786**	**-**
Net increase (decrease) in cash and cash equivalents		**1,434,611**	**(187,905)**	**620,845**	**-**
Cash and cash equivalents					
- at beginning of the period	7	**152,552**	**340,457**	-	-
- net foreign exchange differences		(183,835)	-	-	-
- at end of the period	7	**1,403,328**	**152,552**	**620,845**	-

Statement of Changes in Equity

for the year ended 31 December 2006

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CONSOLIDATED	Share capital $	Other Contributed Equity $	Total Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Attributable to Equity Holders of the Parent $	Minority Interests $	Total $
Balance at 1 January 2005	**5,132,627**	**848,412**	**5,981,039**	**(2,460)**	**49,913**	**6,028,492**	**(120,813)**	**5,907,679**
Currency translation difference	-	-	-	-	(674,325)	(674,325)	-	(674,325)
Total income (expense) for the year recognised directly in equity	-	-	-	-	(674,325)	(674,325)	-	(674,325)
Profit for the year	-	-	-	1,582,029	-	1,582,029	54,734	1,636,763
Total income (expense) for the year	-	-	-	**1,582,029**	**(674,325)**	**907,704**	**54,734**	**962,438**
Minority interest in share capital	-	-	-	-	-	-	(737)	(737)
Equity dividend	-	-	-	(4,269,871)	-	(4,269,871)	-	(4,269,871)
Other contributed equity on transfer of current tax liability to ultimate parent	-	446,312	446,312	-	-	446,312	-	446,312
Other	-	-	-	(14)	-	(14)	-	(14)
Balance at 31 December 2005	**5,132,627**	**1,294,724**	**6,427,351**	**(2,690,316)**	**(624,412)**	**3,112,623**	**(66,816)**	**3,045,807**
Currency translation difference	-	-	-	-	193,379	193,379	-	193,379
Total income (expense) for the year recognised directly in equity	-	-	-	-	193,379	193,379	-	193,379
Profit for the year	-	-	-	2,027,980	-	2,027,980	-	2,027,980
Total income (expense) for the year	-	-	-	**2,027,980**	**193,379**	**2,221,358**	-	**2,221,358**
Acquisition of minority interest in controlled entities	-	(6,572,051)	(6,572,051)	-	-	(6,572,051)	66,816	(6,505,235)
Equity dividend	-	-	-	(694,460)	-	(694,460)	-	(694,460)
Issue of share capital	1,695,300	-	1,695,300	-	-	1,695,300	-	1,695,300
Capital raising costs	-	(312,897)	(312,897)	-	-	(312,897)	-	(312,897)
Other	-	-	-	(15,934)	-	(15,934)	-	(15,934)
Balance at 31 December 2006	**6,827,927**	**(5,590,224)**	**1,237,703**	**(1,372,730)**	**(431,033)**	**(566,060)**	-	**(566,060)**

Statement of Changes in Equity

for the year ended 31 December 2005

PARENT	Share capital $	Other Contributed Equity $	Total Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Attributable to Equity Holders of the Parent $	Minority Interests $	Total $
Balance at	-	-	-	-	-	-	-	-
1 January 2005	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-
Issue of share capital	10	-	10	-	-	10	-	10
Balance at			-			-		-
31 December 2005	**10**	**-**	**10**	**-**	**-**	**10**	**-**	**10**
	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	(191,800)	-	(191,800)	-	(191,800)
Issue of share capital	1,695,300	-	1,695,300	-	-	1,695,300	-	1,695,300
Capital raising costs	-	(312,896)	(312,896)	-	-	(312,896)		(312,896)
Balance at								
31 December 2006	**1,695,310**	**(312,896)**	**1,382,414**	**(191,800)**	**-**	**1,190,614**	**-**	**1,190,614**

Notes to the Financial Statements

for the year ended 31 December 2006

1. CORPORATE INFORMATION

Cyclopharm is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Group are described in Director's Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The preliminary financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

	Basis	Method
Plant and equipment	10-33%	Straight-line method
Leasehold Improvements	20-50%	Straight-line method
Motor vehicles	20-25%	Straight-line method

	Patents and licences	Development costs
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	8 - 10 years - Straight line
Internally generated / Acquired	Acquired	Internally generated
Impairment test / Recoverable Amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cyclopharm Limited and its subsidiaries as at 31 December each year ('the Group').

Subsidiaries
Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Cyclopharm Limited has control.

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

Transactions eliminated on consolidation
All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The Directors have identified that the business combination, encompassing the restructure of the Cyclopharm Group that occurred in May 2006 constituted a reverse acquisition as defined under AASB3 - Business Combinations. Accordingly the consolidated financial statements have been issued under the name of the new legal parent, Cyclopharm Limited, but reflect a continuation of the financial statements of the economic entity that existed prior to the business combination/reorganisation.

For business combinations involving entities under common control, which are outside the scope of AASB 3: Business Combinations, the Company applies the purchase method of accounting by the legal parent.

d) Foreign currency translation

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

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items that are measured in terms of historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. On disposal of a foreign entity the deferred cumulative amount in equity is recognised in the income statement.

Group companies
The functional currency of the overseas subsidiaries Cyclomedica Ireland Limited, Cyclomedica Germany GmbH, Cyclomedica Europe Limited, is European Euro (Euro €) and Cyclomedica Canada Limited is Canadian dollars (Can $).

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at the weighted average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the entity is disposed. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

e) Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation
The Company is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries. The implementation date for the tax consolidated group is 30 June 2006, Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "stand alone basis without adjusting for intercompany transactions" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current tax liabilities {or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements
The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The contribution amount arising under the tax funding arrangement is charged to the Company through the intercompany account.

f) Property, plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Impairment
The carrying amount of plant and equipment is reviewed annually by directors to ensure for impairment. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation
The depreciable amount of all fixed assets including capitalised lease assets are depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Basis	**Method**
Plant and equipment	10-33%	Straight-line method
Leasehold Improvements	20-50%	Straight-line method
Motor vehicles	20-25%	Straight-line method

	Patents and licences	**Development costs**
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	8 - 10 years - Straight line
Internally generated / Acquired	Acquired	Internally generated
Impairment test / Recoverable Amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

g) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

h) Intangibles

Goodwill
Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Due to the introduction of AASB 3 the consolidated entity was unable to recognize any goodwill as a result of its acquisition of subsidiary companies.

Intangible assets
Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'administrative expenses' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs
Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is probable that future benefits will exceed deferred costs and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the costs over a period during which the related benefits are expected to be realised.

Expenditure on the development of the TechnegasPlus generator has been capitalised. A useful life of 8 years has been applied and amortisation for the year included in the income statement. No impairment provision has been deemed appropriate. The directors are satisfied that the future economic benefits will eventuate to justify the capitalisation of the expenditure incurred.

Expenditure on costs incurred in the application to the Federal Drug & Administration authority have been capitalised. A useful life has not been determined as Cyclopharm have not yet received approval from the Federal Drug & Administration authorities. No impairment provision has been deemed appropriate. The directors are satisfied that the future economic benefits will eventuate to justify the capitalisation of the expenditure incurred.

Development expenditure is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Capitalised development expenditure is measured at cost less any accumulated amortisation and impairment losses.

i) Inventories

Inventories are valued at the lower of cost and net realisable value where net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress: cost of direct materials and labour and an appropriate portion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

j) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, short-term deposits with an original maturity of three months or less and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

l) Trade and other payables

Trade payables and other payables are carried at amortised costs and 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. Trade payables are normally settled within 30 to 60 days.

m) Interest-bearing 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. Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

n) **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result and that an outflow can be reliably measured. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

o) **Employee entitlements**

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

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and other types of employee benefits are recognised against profits on a net basis in their respective categories.

p) **Leases**

Finance Leases
Leases of fixed assts, which substantially transfer to the Group all the risks and benefits incidental to ownership of the leased item, but not the legal ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

q) Revenue recognition

Revenue is recognised 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:

Sale of goods
Revenue is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership and therefore control of the goods have passed to the buyer and can be measured reliably. Control is considered to have passed to the buyer at the time of delivery of the goods to the customer. Consequently, transfers of goods to major distributors are recognised as consignment inventory only. Revenue is recognised upon the achievement of "in-market" sales.

Interest
Revenue is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends
Revenue is recognised in the income statement on the day which the relevant investment is first quoted on an "ex-basis". Dividend revenue is recognised net of any franking credits.
Revenue from distributions from controlled entities is recognised by the Company when they are declared by the controlled entities. Revenue from dividends from associates and other investments is recognised when dividends are received. Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Research and development grants
Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as revenue.

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

r) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred is not recoverable from the Australian Taxation Office("ATO"), and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet. Cash flows are presented in the Cash Flow Statement 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 are classified as operating cash flows.

s) Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

De-recognition of financial instruments

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

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

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables 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 profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 impairment loss decreases and the decrease 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.

Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

t) Contributed equity

Share capital
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.

Other contributed equity
In accordance with UIG 1052, additional contributed equity was recorded to recognise the transfer of tax liabilities from Vita Medical Limited to Vita Life Sciences Limited, being the parent of the Australian tax consolidated group. This event occurred prior to Cyclopharm acquiring its interests in the net assets of Vita Medical Limited.

With effect from 31 May 2006, the group acquired 100% of the issued capital of the following entities:

- Cyclomedica Australia Pty Ltd formerly Vita Medical Australia Pty Ltd (including all the operating assets and liabilities owned by Vita Medial Ltd)
- Cyclomedica Ireland Ltd formerly Vitamedica Europe Ltd
- Cyclomedica Europe Ltd
- Cyclomedica Canada Limited formerly Vita Medical Canada Ltd
- Cyclomedica Germany GmbH
- Allrad 28 Pty Ltd
- Allrad 29 Pty Ltd

These entities collectively comprise the medical diagnostic equipment and associated consumables business formerly operated as the Vita Medical Group – now known as the Cyclopharm Group. The transaction has been accounted for as a 'reverse acquisition' as defined in *AASB 3 Business Combinations* whereby Cyclopharm Limited is the legal parent and Vita Medical Pty Limited is the financial parent, which for accounting purposes is deemed to be the acquirer. The consideration exceeding the net assets paid for the acquisition of the controlled entities and costs of acquisition have been recorded in other contributed equity.

u) Net asset deficiency

Whilst the economic entity's balance sheet shows a net asset deficiency, this circumstance arose due to the principles of reverse acquisition accounting.

Additionally, the company has completed a public offering in January 2007, raising capital which restores the balance sheet to significantly positive net asset position.

The business of Cyclopharm is profitable and produces strong cash flows. Accordingly the directors believe that the Company will be able to meet its debts as and when they fall due.

v) **Earnings per share**

Basic earnings per share
Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3. SEGMENT REPORTING

The consolidated entity has the following business segments and geographical segments:

(a) Business segments

The group operates in the industry segment of the manufacture and sale of medical diagnostic equipment and radiopharmaceuticals.

(b) Geographical segment

The consolidated entity operates in the regions identified in Note 3 (c).

(c) Primary segment information

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2006 and 31 December 2005.

3. SEGMENT REPORTING (continued)

	CONSOLIDATED					
For the year ended 31 December 2006	**Australia $**	**Europe $**	**Canada $**	**Asia $**	**Other $**	**Total $**
Revenue						
Sales to external customers	1,807,130	7,000,494	947,086	418,757	158,365	10,331,832
Finance revenue	10,856	-	-	-	-	10,856
Total segment revenue	**1,817,986**	**7,000,494**	**947,086**	**418,757**	**158,365**	**10,342,688**
Result						
Segment results	521,588	1,293,432	345,057	112,191	67,039	2,339,307
Profit before income tax						**2,339,307**
Income tax expense						(311,327)
Net profit for the year						**2,027,980**
Assets and liabilities						
Segment assets	4,217,200	4,381,106	607,940	-	-	9,206,246
Segment liabilities	(8,419,977)	(1,295,246)	(57,083)	-	-	(9,772,306)
Other segment information						
Capital expenditure	(17,696)	-	-	-	-	(17,696)
Depreciation	(65,378)	(1,910)	(846)	-	-	(68,134)
Amortisation	(29,817)	-	-	-	-	(29,817)

Notes (continued)

3. SEGMENT REPORTING (continued)

	CONSOLIDATED					
For the year ended	Australia	Europe	Canada	Asia	Other	Total
31 December 2005	$	$	$	$	$	$
Revenue						
Sales to external customers	1,770,918	5,480,127	1,115,170	311,507	128,531	8,806,252
Finance revenue	210,475	-	-	-	-	210,475
Other income	109,070	-	-	-	-	109,070
Total segment revenue	**2,090,463**	**5,480,127**	**1,115,170**	**311,507**	**128,531**	**9,125,797**
Result						
Segment results	600,652	1,237,745	651,693	91,104	88,126	2,669,320
Discontinued operations (Nil revenue)						(345,491)
Profit before income tax						**2,323,829**
Income tax expense						(687,066)
Net profit for the year						**1,636,763**
Assets and liabilities						
Segment assets	980,162	3,871,438	650,458	-	-	5,502,058
Segment liabilities	(1,466,921)	(1,020,743)	31,413	-	-	2,456,251
Other segment information						
Capital expenditure	(90,321)	-	-	-	-	(90,321)
Depreciation	(54,769)	(7,467)	(656)	-	-	(62,892)
Amortisation	(15,677)	(309)	-	-	-	(15,986)

Notes (continued)

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4. REVENUES AND EXPENSES

		Notes	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT 2006 $	PARENT 2005 $
4.	**Revenue**					
	Sales revenue		10,331,832	8,806,252	-	-
	Interest revenue	4a	10,856	210,475	-	-
	Realised foreign exchange gains		-	109,070	-	-
	Total income		**10,342,688**	**9,125,797**	-	-
a)	**Interest revenue**					
	Related entities		-	195,669	-	-
	Other person		10,856	14,806	-	-
			10,856	**210,475**	-	-
4.	**Expenses**					
b)	**Cost of sales**					
	Cost of materials		(2,757,439)	(2,027,960)	-	-
c)	**Finance costs**					
	Interest on loans from external parties		(249,402)	(12,354)	(71,092)	-
	Interest on loans to related parties		(37,455)	(41,225)	(163,427)	-
	Total finance costs		**(286,857)**	**(53,579)**	**(234,519)**	-

Notes (continued)

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4. REVENUES AND EXPENSES (continued)

		CONSOLIDATED		PARENT	
		2006	2005	2006	2005
	Notes	$	$	$	$
d) Depreciation and amortisation					
Leased plant & equipment		(6,712)	(15,677)	-	-
Plant and equipment		(62,246)	(62,892)	-	-
Leasehold improvements		(5,888)	(309)		
Amortisation of intangibles		(23,105)	-	-	-
		(97,951)	**(78,878)**	**-**	**-**
e) Research & development					
Other		(20,162)	(31,571)	-	-
		(20,162)	**(31,571)**	**-**	**-**
f) Significant expenses					
The following significant expense items are relevant in explaining the financial performance:					
Loss on transfer of wholly controlled entity, Tetley Treadmills Pty Limited, to ultimate parent entity		-	(345,491)	-	-

Notes (continued)

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5. INCOME TAX

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$	$	$	$
Current income tax income (expense)	(453,896)	(627,304)	88,432	-
Deferred tax income (expense)	142,569	(59,762)	18,541	-
Income tax reported in income statement	**(311,327)**	**(687,066)**	**106,973**	**-**
A reconciliation of income tax income (expense) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:				
Accounting profit (loss) before income tax	**2,339,307**	**2,669,320**	**(298,773)**	**-**
Statutory income tax rate of 30%	(701,792)	(800,796)	89,632	-
Expenditure not allowable for income tax purposes	(12,531)	(92,604)	(233)	-
Share issue costs taken directly to equity	18,774	-	18,774	-
Effects of lower rates on overseas income	247,896	173,492	-	-
Income tax under/(over) provided in prior year	-	-	(1,200)	-
Tax expense offset against carry forward tax losses	64,251	32,842	-	-
Tax losses not recognised	72,075	-	-	-
Total income tax	**(311,327)**	**(687,066)**	**106,973**	**-**
Effective income tax rate	(13.3%)	(25.7%)	(35.8%)	0.0%
Current tax liabilities				
Current income tax liability	**197,745**	**41,732**	**-**	**-**
Deferred tax assets/liabilities				
Deferred tax assets relate to the following:				
Deferred tax assets from temporary differences on:				
Provisions	97,340	90,015	-	-
Tax losses of parent entity brought to account	108,173	-	108,173	-
Tax payable transferred from subsidiary	(64,251)	-	(64,251)	-
Other	3,632	2,887	-	-
Total deferred tax assets	**144,894**	**92,902**	**43,922**	**-**
Deferred tax liabilities from temporary differences on:				
Capitalised expenditure	255,979	60,656	-	-
Other	-	2,858	-	-
Total deferred tax liabilities	**255,979**	**63,514**	**-**	**-**

Notes (continued)

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6. EARNINGS PER SHARE

	CONSOLIDATED	
	2006	2005
	$	$
Net profit attributable to equity holders from continuing operations	2,027,980	1,982,254
Loss attributable to equity holders from discontinued operations	-	(345,491)
Minority interest	-	(54,734)
Net profit attributable to equity holders of the parent	2,027,980	1,582,029
	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share	108,555,494	5,132,627

On 11 January 2007, the company issued 23,394,949 new shares pursuant to its successful listing on the Australian Stock Exchange.

	$	$
- basic earnings per share for continuing operations	0.02	0.38
- basic earnings per share for discontinued operations	-	(0.07)
- diluted earnings per share	0.02	0.38

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7. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$	$	$	$
Cash at bank and in hand	1,403,328	152,552	620,845	-
Total cash and cash equivalents	**1,403,328**	**152,552**	**620,845**	**-**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

The fair value of cash equivalents is $1,403,328 (2005:$152,552).

Reconciliation of Cash Flow Statement

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:				
Cash at bank and in hand	1,403,328	152,552	620,845	-
	1,403,328	**152,552**	**620,845**	**-**
(a) Reconciliation of net profit after tax to net cash flows from operations				
Net profit	2,027,980	1,636,763	(191,800)	-
Adjustments for non-cash income and expense items:				
Depreciation	68,134	63,201	-	-
Amortisation	29,817	15,677	-	-
Movement provision for doubtful debts	(70,478)	(35,521)	-	-
Movement provision for employee benefits	66,917	(1,726)	-	-
Movement provision for warranties	(7,500)	-	-	-
FDA expenses written off	-	81,544	-	-
Movement in related party loan balance resulting from transfer of tax liability	-	-	(63,051)	-
Movement in other provisions	55,000	(17,153)	-	-
	2,169,870	**1,742,785**	**(254,851)**	**-**
Increase/decrease in assets and liabilities:				
(Increase) / decrease in receivables	(237,428)	(146,949)	(16,305)	-
(Increase) / decrease in inventories	(796,135)	(128,029)	-	-
(Increase) / decrease in other assets	(539,661)	(15,195)	-	-
(Increase) / decrease in deferred tax assets	(51,992)	(2,204)	(43,922)	-
Increase / decrease in related party loans	318,940	(204,564)	-	-
Increase / (decrease) in creditors	(42,978)	249,973		-
Increase / (decrease) in current tax liabilities	156,013	(87,748)	-	-
Increase / (decrease) in deferred tax liabilities	192,465	62,458	-	-
Net cash from operating activities	**1,169,094**	**1,470,527**	**(315,078)**	**-**

Notes (continued)

8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$	$	$	$
Current				
Trade receivables, third parties	3,013,604	2,776,176	-	-
Provision for bad debts	(378,215)	(448,693)	-	-
	2,635,389	2,327,483	-	-
Other debtors	958,339	234,763	16,326	10
	3,593,728	**2,562,246**	**16,326**	**10**
Non-current				
Loans to related parties	145,830	-	1,307,458	-
Total other receivables	**145,830**	**-**	**1,307,458**	**-**

-

Terms and conditions
Terms and conditions relating to the above financial instruments
(i) Trade receivables are non-interest bearing and generally on 30 and 60 day terms.
(ii) Other debtors are non-interest bearing and have repayment terms between 30 and 90 days.
(iii) Details of the terms and conditions of related party receivables are set out in Note 19.

9. INVENTORIES

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$	$	$	$
Raw materials at cost	1,036,652	552,278	-	-
Finished goods at lower of cost or net realisable value	976,836	665,075	-	-
	2,013,488	**1,217,353**	**-**	**-**

Inventory write-downs recognised as an expense totalled $0 (2005: $0) for the Group. This expense is included in the cost of sales line item as a cost of inventories.

Notes (continued)

10. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2006 CONSOLIDATED	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2006					
at written down value	34,918	1,046,143	7,465	-	1,088,526
Additions	-	-	-	16,200	16,200
Disposals	7,338	(189,983)	-	-	(182,645)
Depreciation for the year	(5,888)	(62,246)	(6,712)	-	(74,846)
31 December 2006					
at written down value	**36,368**	**793,914**	**753**	**16,200**	**847,235**
1 January 2006					
Cost value	198,851	1,748,356	156,590	-	2,103,797
Accumulated depreciation	(163,933)	(702,213)	(149,125)	-	(1,015,271)
Net carrying amount	**34,918**	**1,046,143**	**7,465**	**-**	**1,088,526**
31 December 2006					
Cost value	206,189	1,955,227	146,210	16,200	2,323,826
Accumulated depreciation	(169,821)	(1,161,312)	(145,457)	-	(1,476,590)
Net carrying amount	**36,368**	**793,914**	**753**	**16,200**	**847,235**

The net carrying value of plant and equipment held under finance lease contracts at 31 December 2006 is $0 (2005: $9,116). Leased assets are pledged as security for the related finance lease.

Notes (continued)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2005 CONSOLIDATED	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Total $
1 January 2005				
at written down value	40,769	1,568,234	23,142	1,632,145
Additions	-	90,012	-	90,012
Disposals	(5,542)	(549,211)	-	(554,753)
Depreciation / amortisation for the year	(309)	(62,892)	(15,677)	(78,878)
31 December 2005				
at written down value	**34,918**	**1,046,143**	**7,465**	**1,088,526**
1 January 2005				
Cost value	198,850	2,494,435	156,590	2,849,875
Accumulated depreciation	(158,081)	(926,201)	(133,448)	(1,217,730)
Net carrying amount	**40,769**	**1,568,234**	**23,142**	**1,632,145**
31 December 2005				
Cost value	198,851	1,748,356	156,590	2,103,797
Accumulated depreciation	(163,933)	(702,213)	(149,125)	(1,015,271)
Net carrying amount	**34,918**	**1,046,143**	**7,465**	**1,088,526**

The net carrying value of plant and equipment held under finance lease contracts at 31 December 2005 is $7,465 (2005: $23,412). Leased assets are pledged as security for the related finance lease.

11. OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$	$	$	$
Investments in controlled entities	-	-	6,064,863	-
Total Investments	-	-	**6,064,863**	-

Refer to Note 19 for details of subsidiary names, locations and ownership interests.

Due to the introduction of *AASB 3 Business Combinations* the consolidated entity was unable to recognize any goodwill as a result of its acquisition of subsidiary companies.

12. INTANGIBLES

CONSOLIDATED	Intellectual property $	Technegas Development $	FDA Development $	Software	Total $
Balance at 1 January 2006	2,379	202,185	-	-	**204,564**
Arising during the year	59,220	75,080	599,103	142,881	876,284
Amortisation	-	(23,105)	-	-	(23,105)
Balance at 31 December 2006	**61,599**	**254,160**	**599,103**	**142,881**	**1,057,743**
31 December 2006					
Current	-	-	-	-	-
Non-Current	61,599	254,160	599,103	142,881	1,057,743
Total	**61,599**	**254,160**	**599,103**	**142,881**	**1,057,743**
31 December 2005					
Current	-	-	-	-	-
Non-Current	**2,379**	**202,185**	-	-	204,564
Total	**2,379**	**202,185**	-	-	**204,564**

13. TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$	$	$	$
Trade payables, third parties	1,155,063	1,094,297	22,366	-
Other payables and accruals	390,095	493,838	38,369	-
Non interest bearing loan, related party	1,102,065	-	1,102,065	-
Total trade and other payables	**2,647,223**	**1,588,135**	**1,162,800**	**-**

Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

(ii) Other payables and accruals are non-interest bearing and have an average term of 4 months.

(iii) Details of the terms and conditions of related party payables are set out in the Note 19.

14. INTEREST BEARING LOANS AND BORROWINGS

		CONSOLIDATED		PARENT	
		2006	2005	2006	2005
	Notes	$	$	$	$
Current					
Secured Bank loan		725,000	-	725,000	-
Related party loan		621,893	518,705	-	-
Finance lease liability	18b	-	9,116	-	-
Interest bearing loans and borrowings (current)		**1,346,893**	**527,821**	**725,000**	**-**
Non-current					
Secured Bank loan		4,975,000	-	4,975,000	-
Finance lease liability	18b	-	-	-	-
Interest bearing loans and borrowings (non-current)		**4,975,000**	**-**	**4,975,000**	**-**
Total interest bearing loans and borrowings		**6,321,893**	**527,821**	**5,700,000**	**-**

14. INTEREST BEARING LOANS AND BORROWINGS (continued)

Financing facilities available:
At reporting date, the following financing facilities had been negotiated and were available:

		CONSOLIDATED		PARENT	
		2006	2005	2006	2005
	Notes	$	$	$	$
Total facilities available:					
- interest bearing loans, related parties		621,893	518,705	-	-
- non interest bearing loans, related parties		1,102,065	-	1,102,065	-
- secured bank loans, third party		6,000,000	-	6,000,000	-
- lease facility		-	9,116	-	-
		7,723,958	**527,821**	**7,102,065**	**-**
Facilities used at reporting date:					
- interest bearing loans, related parties	14	621,893	518,705	-	-
- non interest bearing loans, related parties	13	1,102,065	-	1,102,065	-
- secured bank loans, third party	14	5,700,000	-	5,700,000	-
- lease facility	18b	-	9,116	-	-
		7,423,958	**527,821**	**6,802,065**	**-**
Facilities unused at reporting date:					
- interest bearing loans, related parties		-	-	-	-
- non interest bearing loans, related parties		-	-	-	-
- secured bank loans, third party		300,000	-	300,000	-
- lease facility		-	-	-	-
		300,000	**-**	**300,000**	**-**
Total facilities		7,723,958	527,821	7,102,065	-
Facilities used at reporting date:		7,423,958	527,821	6,802,065	-
Facilities unused at reporting date:		300,000	-	300,000	-

Secured Bank Loan
This loan has been drawn down under a 5 year multi-option facility (MOF) provided by the National Australia Bank. The facility is secured by a first registered mortgage debenture over Cyclopharm Limited and a guarantee and indemnity for $6,000,000 from Cyclomedica Australia Pty Ltd, Cyclomedica Germany GmbH, Cyclomedica Canada Limited, Cyclomedica Europe Ltd, Allrad No. 28 Pty Ltd and Allrad No. 29 Pty Ltd. Supported by First Registered Debenture charges over these companies.

Notes (continued)

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15. PROVISIONS

CONSOLIDATED	Notes	Employee Entitlements $	Warranty provision $	Other $	Total $
Balance at					
1 January 2006		**197,549**	**7,500**	**30,000**	**235,049**
Arising during the year		106,988	-	55,000	161,988
Utilised		(40,071)	(7,500)	-	(47,571)
Balance at					
31 December 2006		**264,466**	**-**	**85,000**	**349,466**
31 December 2006					
Current		143,697	-	85,000	228,697
Non-Current		120,769	-	-	120,769
Total		**264,466**	**-**	**85,000**	**349,466**
Number of employees					
Number of employees at year end		31			
31 December 2005					
Current		108,943	7,500	30,000	146,443
Non-Current		88,606	-	-	88,606
Total		**197,549**	**7,500**	**30,000**	**235,049**
Number of employees					
Number of employees at year end		23			

16. CONTRIBUTED EQUITY

				CONSOLIDATED		PARENT	
		2006	2005	2006	2005	2006	2005
	Notes	Number	Number	$	$	$	$
Issued and paid up capital							
Ordinary shares	(a)	112,317,667	5,132,627	6,515,030	5,132,627	1,382,413	10
Other contributed equity	(b)	-	-	(5,277,327)	1,294,724	-	-
Total issued and paid up capital		**112,317,667**	**5,132,627**	**1,237,703**	**6,427,351**	**1,382,413**	**10**
Ordinary shares							
(a) Issued and paid up capital							
Balance at the beinning of the year		10	5,132,627	5,132,627	5,132,627	10	-
Conversion of ordinary share capital		106,666,657	-	-	-	-	
Issue of 5,651,000 ordinary shares at $0.30 in September 2006		5,651,000	-	1,695,300	-	1,695,300	10
Capital raising costs		-	-	(312,897)	-	(312,897)	-
Balance at end of year		**112,317,667**	**5,132,627**	**6,515,030**	**5,132,627**	**1,382,413**	**10**
(b) Other contributed equity							
Balance at the beginning of the year		-	-	1,294,724	848,412	-	-
Adjustment arising from transfer of tax benefits to ultimate parent entity		-	-	-	446,312	-	-
Acquisition of minority interests in controlled entities		-	-	(6,572,051)	-	-	-
Balance at end of year		-	-	**(5,277,327)**	**1,294,724**	-	-

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's principal financial instruments comprise bank loans and overdrafts, finance leases and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

(a) Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)
(a) Cash flow interest rate risk (continued)

CONSOLIDATED	Note	Weighted average interest rate %	Non interest bearing	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	More than 5 years	Total
Year ended								
31 December 2006								
FINANCIAL ASSETS								
Cash and cash equivalents	7	4.15%	-	1,403,328	-	-	-	1,403,328
Receivables	8	N/A	3,593,728	-	-	-	-	3,593,728
Total financial assets			**3,593,728**	**1,403,328**	**-**	**-**	**-**	**4,997,056**
FINANCIAL LIABILITIES								
Fixed rate								
Trade payables, third parties	13	N/A	1,545,157	-	-	-	-	1,545,157
Non interest bearing loans, related parties	13	N/A	1,102,065	-	-	-	-	1,102,065
Interest bearing loans, related parties	14	6.50%	-	-	621,893	-	-	621,893
Secured bank loans, third party	14	6.35%	-	-	725,000	4,975,000	-	5,700,000
Employee entitlements	15	N/A	264,466	-	-	-	-	264,466
Total financial liabilities			**2,911,688**	**-**	**1,346,893**	**4,975,000**	**-**	**9,233,581**

CONSOLIDATED	Note	Weighted average interest rate %	Non interest bearing	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	More than 5 years	Total
Year ended								
31 December 2005								
FINANCIAL ASSETS								
Cash and cash equivalents	7	4.50%	-	152,552	-	-	-	152,552
Receivables	8	N/A	2,562,246	-	-	-	-	2,562,246
Total financial assets			**2,562,246**	**152,552**	**-**	**-**	**-**	**2,714,798**
FINANCIAL LIABILITIES								
Payables	13	N/A	1,588,135	-	-	-	-	1,588,135
Interest bearing loans, related parties	14	6.50%	-	-	-	518,705	-	518,705
Obligations under finance leases	18b	10.05%	-	-	9,116	-	-	9,116
Employee entitlements	15	N/A	197,549	-	-	-	-	197,549
Total financial liabilities			**1,785,684**	**-**	**9,116**	**518,705**	**-**	**2,313,505**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(b) Credit risk
The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant unprovided concentrations of credit risk within the Group. Since the Group trades only with recognised third parties, there is no requirement for collateral.

(c) Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans from related parties and finance leases contracts.

(d) Commodity price risk
The Group's exposure to commodity price risk is minimal.

(e) Foreign currency risk
As a result of significant investment operations in Europe, the Group's balance sheet can be affected significantly by movements in the EURO / A$ exchange rates. The Group does not hedge this exposure.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 80% of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 55% of costs are denominated in the unit's functional currency.

		CONSOLIDATED		PARENT	
		2006	2005	2006	2005
	Notes	$	$	$	$
United States dollars					
Amounts payable		147,506	28,900	-	-
Amounts receivable		20,500	15,016	-	-
Euros					
Amounts payable		270,007	764,059	-	-
Amounts receivable		2,463,195	2,048,327	-	-
					-
Canadian dollars					
Amounts payable		-	-	-	-
Amounts receivable		225,012	446,664	-	-

17. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Fair values

All of the Group's financial instruments recognised in the balance sheet have been assessed as at fair values.

18. COMMITMENTS

(a) Operating lease commitments

The Group has entered into commercial leases on certain buildings. These leases have an average life of between 3 years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$	$	$	$
Operating Lease Commitments				
Minimum lease payments				
Not later than one year	21,040	126,240	-	-
Later than 1 year & not later than 5 years	404,432	21,040	-	-
More than 5 years	-	-	-	-
Total operating lease commitments	**425,472**	**147,280**	**-**	**-**
Operating lease expenses recognised as an expense during the period:	126,240	126,240	-	-

18. COMMITMENTS (continued)

(b) Finance lease commitments

The Group has finance leases for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

		CONSOLIDATED		PARENT	
		2006	2005	2006	2005
	Notes	$	$	$	$
Finance lease commitments					
Minimum lease payments					
Not later than one year		-	10,320	-	-
Later than 1 year & not later than 5 years		-	-	-	-
More than 5 years		-	-	-	-
Total minimum lease payments		-	10,320	-	-
Less amounts representing finance charges		-	(1,204)	-	-
Present value of minimum lease payments		-	9,116	-	-
Finance lease liability:					
Current liability	14	-	9,116	-	-
Non-current liability	14	-	-	-	-
Total lease liability		-	9,116	-	-

The weighted average interest rate impact in the leases for both the Group and the Parent is 0% (2005: 10.5%).

18. COMMITMENTS (continued)

(c) Capital commitments

The Group and Company does not have any capital commitments contracted for at reporting date but not recognised as liabilities.

19. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Cyclopharm Limited and the subsidiaries as stated under the controlled entities note.

Ultimate parent entity

Cyclopharm Limited is the ultimate parent entity in the wholly owned group.

Terms and conditions of transactions with related parties

On 19 April 2006, shareholders of Vita Life Sciences Limited approved the restructure and ultimate sale of companies making up the Cyclopharm group to Cyclopharm Limited. At that meeting approval was also given to pay a fee to a related party, CVC Venture Managers Pty Limited for successfully completing the transaction. In accordance with shareholder approvals and in line with estimates of fees payable, CVC Venture Managers was paid a success fee of $338,713. During the year payments were made to VA Consulting Pty Ltd and CVC Venture Managers of $47,233 in relation to Mr Sharman's (Managing Director) consultancy.

Controlled Entities

Name	Note	Country of Incorporation	Percentage of equity interest held by the parent entity	
			2006	2005
Cyclopharm Limited	1,3	Australia	N/A	N/A
Controlled entities				
Cyclomedica Australia Pty Limited	3	Australia	100%	100%
Cyclomedica Ireland Limited (formerly Vitamedica Europe Limitec	2	Ireland	100%	100%
Cyclomedica Europe Limited	2	Ireland	100%	50%
Cyclomedica Germany GmbH	5	Germany	100%	100%
Cyclomedica Canada Limited (formerly Vita Medical Canada Limi	4	Canada	100%	100%
Allrad No 28. Pty Ltd	3	Australia	100%	100%
Allrad No 29. Pty Ltd	3	Australia	100%	100%

Notes

1. Cyclopharm Limited is the ultimate parent entity in the wholly owned group.
2. Audited by HLB Nathans, Republic of Ireland.
3. Audited by Gould Ralph and Company, Australia.
4. Audited by Schwartz Levitsky & Feldman & LLP, Toronto, Canada.
5. Audited by Bilzanzia GmbH Wirtschaftsprufungsgesellschaft, Germany

20. EVENTS AFTER THE BALANCE SHEET DATE

Initial Public Offering and listing on the Australian Stock Exchange
On 11 January 2007, Cyclopharm completed the Initial Public Offering ('IPO') raising $6,427,304 (after offer costs) issuing 23,394,949 new shares and welcomed 440 new shareholders. Cyclopharm was admitted to the official list of the Australian Stock Exchange on 18 January 2007. The monies raised will be used to fund the balance of costs associated with the Company's application to the US Food & Drug Administration to facilitate sales of TechnegasPlus in the US along with the establishment of three PET central pharmacies in Australia.

Shareholdings
During the IPO Cyclopharm's former controlling shareholder Vita Life Sciences Limited ('Vita Life Sciences') sold down its remaining 13,271,719 shares in Cyclopharm which reduced Vita Life Science's ownership in Cyclopharm from 11.8% at November 2006 to 0%.

Borrowings
On 18 January 2007, Cyclopharm temporarily repaid the $5,700,000 debt facility with the National Australia Bank with proceeds raised from the Initial Public Offering. On 25 January 2007, a wholly owned subsidiary of Cyclopharm, Cyclomedica Europe Limited repaid an outstanding loan of $621,893 to Vita Life Sciences Limited. On 25 January 2007 Cyclopharm reimbursed Vita Life Sciences for its share of restructure and IPO costs of $582,777 in accordance with previously obtained approvals.