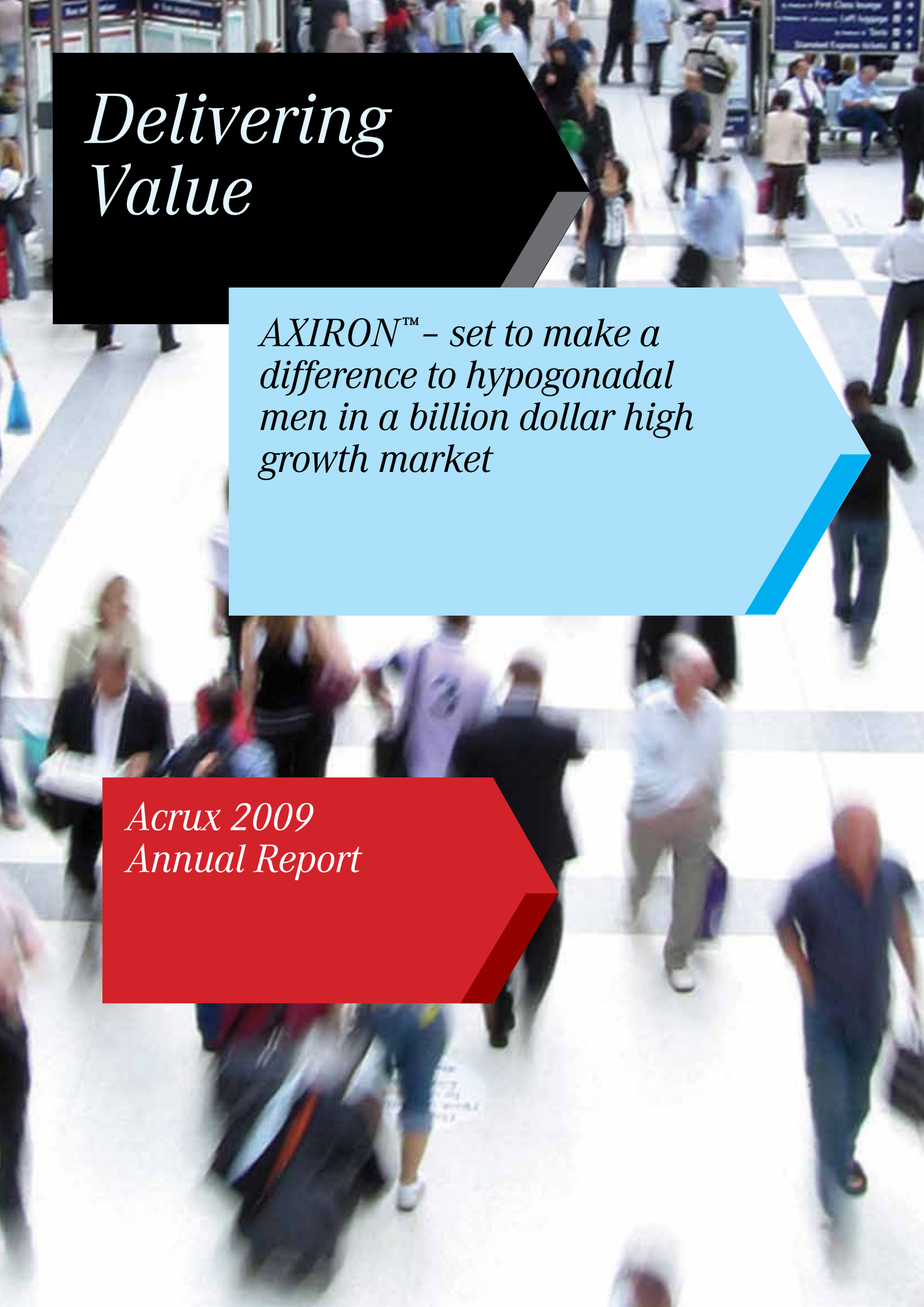


Delivering Value

AXIRON™ – set to make a difference to hypogonadal men in a billion dollar high growth market

Acrux 2009 Annual Report

DELIVERING VALUE

The AXIRON™ Phase 3 investment has delivered a high value asset, wholly owned by Acrux. We now have the opportunity to realise that value for our shareholders.

PRODUCT	ACHIEVEMENTS	OUTLOOK FOR 2009/10
AXIRON™	– Excellent Phase 3 clinical trial results – Primary endpoint exceeded, with 84% of subjects in the normal range after 4 months of treatment, compared with FDA requirement of 75% – 76% of subjects in the normal range after only 15 days of treatment – Significant improvement from baseline in mood, sexual desire, sexual activity and sexual performance – Commercial manufacturing transferred to Orion and scaled-up successfully	– Submission of marketing application to US FDA – Marketing and distribution deals for billion dollar high growth market
Estradiol spray	– Four marketing and distribution deals covering 9 European countries, Southern Africa and South Korea – Acrux's first European marketing application submitted to Swedish regulatory authority	– Further distribution deals for additional territories – Marketing approval in Sweden, enabling mutual recognition across European Union – Continued growth in sales of Evamist in United States
Animal health	– Marketing application for first product submitted to US FDA – Development of additional products progressed	– Marketing approval of first product for US market

	CASH	OUTLOOK FOR 2009/10
Finance	$14.7m as at 30 June 2009	**First profit in year ended 30 June 2010, driven by AXIRON marketing deal.**

SHARE PRICE

Share price highlights

$1.81
Share price at 01 Oct 2009

48%
Share price growth since 30 June 2008

PRODUCT PIPELINE

Therapeutic Area	Formulation	Phase 1	Phase 2	Phase 3	Registration	Marketing Partners
Hypogonadism	AXIRON™					
Menopausal symptoms	Evamist™ (USA)					KV
Menopausal symptoms	Ellavie™ (Ex-USA)					Aspen, Dream Pharma, Vifor, HRA Pharma
Companion animal health	Undisclosed					Eli Lilly
Companion animal health	Undisclosed					Eli Lilly
Decreased libido in women	Testosterone MDTS®					VIVUS, CSL
Smoking cessation	Nicotine MDTS®					
Contraception	Nestorone® MDTS®					
Menopausal symptoms	Duomist™					
Pain and inflammation	NSAIDs					

CHAIRMAN'S LETTER

Dear Shareholder,

Acrux has continued to build on its delivery platform with the release of the AXIRON Phase 3 results. Recent press coverage of the trial results has helped the Company's share price to reflect some of the intrinsic value of its technology and we believe we will be able to build on this in the short term. Management has been working to leverage the value generated by AXIRON by progressing the development of the female testosterone application of the technology. Vivus is scheduled to commence dosing of the first patient in the Phase 3 female testosterone trial by 1st April 2010. Given the synergy of the two testosterone products, management is focused on ensuring the deliverables, agreed to through lengthy arbitration proceedings with Vivus, are met.

Acrux is now being covered by a number of broker analysts, which is likely to generate more interest in the Company pending completion of a commercial agreement for AXIRON. In the interim, the veterinary applications of the technology are progressing and notification of developments with this and with the male and female testosterone applications should maintain our share price appreciation.

Through their participation in the Company's share ownership program, management has a strong incentive to optimise shareholder value, which has been reflected in the delivery of the AXIRON Phase 3 development. The Board expects to see a number of significant developments that will generate shareholder value in the next three to six months.

Ross Dobinson
Chairman

OPERATING REVIEW

In July 2007, following successful results in Phase 2 trials of AXIRON, Acrux raised $23 million in new capital to pursue an opportunity to generate a large amount of value for shareholders. We set out a detailed plan for the time and costs to execute the Phase 3 trial, establish commercial manufacturing and submit a marketing application to the FDA. We have comprehensively delivered against all aspects of that plan and we now have the exciting opportunity to crystallise the value for shareholders through the AXIRON partnering process. AXIRON is targeting an annual market of US$1 billion, growing at 20% per annum.

We believe that AXIRON's attributes will deliver best-in-class benefits to patients and a clear, unique selling proposition against the existing products. We have tested this thoroughly with detailed market research among current users and prescribers of the existing products in the USA. Strong, lengthy patent protection, an established source of cost-effective product supply and excellent clinical trial data complete a compelling commercial opportunity for the prospective marketers of AXIRON.

The achievements with AXIRON to date have required an extraordinary amount of diligence, skill and commitment from the Acrux management and staff and we remain committed to delivering the remaining outcomes during the 2009/10 financial year; being submission of the marketing application to the FDA, initiation of the first commercial batches at Orion and execution of the all-important partnering deals.

A formal partnering process is underway, which is expected to conclude in the first half of 2010.

AXIRON has been the primary focus for most of the Acrux organisation during the year, however good commercial progress was also made in other important areas. We completed 4 distribution deals for our estradiol spray, Ellavie, covering more than 10 countries on 3 continents. We also submitted a marketing application for Ellavie to the Swedish regulatory authority. Approval of this application will be the gateway to accessing the remaining key markets in the European Community.

Our partners at Elanco, the animal health division of Eli Lilly, submitted a marketing application to the FDA for the first product using our technology to treat companion animals. They have also made good progress with the clinical development of a number of additional veterinary products.

Excellent clinical trial data completes a compelling commercial opportunity for the prospective marketers of AXIRON.

A formal partnering process is underway, which is expected to conclude in the first half of 2010.

AXIRON™ AND THE TESTOSTERONE THERAPY MARKET

AXIRON™

Testosterone deficiency in men (hypogonadism) is associated with a number of symptoms including lethargy, depression, reduced libido and decrease in muscle mass and bone density. Estimates of men over 50 years of age having testosterone levels below the normal healthy range vary from 10% to 39%. However, in the majority of men this remains undiagnosed, with only around 5% to 10% of those with the condition receiving treatment. Treatment involves delivery of the appropriate amounts of testosterone into the blood, in order to restore levels into the normal healthy range. With a high incidence rate combined with rapidly growing treatment rates, the male testosterone deficiency market is a highly attractive commercial opportunity. Based on IMS data, global sales in this market for the year to March 2009 exceeded US$1 billion for the first time, and sales in the US market grew by more than 20%. Sales of testosterone gels grew to US$0.75 billion. If approved by the FDA, AXIRON is expected to enter this testosterone therapy market in early 2011.

AXIRON has been designed to overcome the significant issues and drawbacks associated with the current gel treatments. Large volumes of gel are applied by hand and rubbed on to the abdomen, shoulders or arms. They are considered messy, sticky, slow-drying and may have an unpleasant odour to some patients. One of the biggest drawbacks is the risk of transference to other people through contact with the application site or from residue left on the hands following application. AXIRON is a faster-drying and pleasant smelling solution that is applied to the armpits once daily, using a convenient and ergonomic “no-touch” applicator.

The armpit is a unique, novel application site for transdermal drug delivery and it offers significant advantages to the patient in terms of convenience and a reduced risk of transference from patient to others. Acrux has an international patent pending that if granted will protect this key benefit of AXIRON until 2026, preventing the sale of any other competing products applied into the armpit. Notwithstanding this additional patent, AXIRON is already protected by the Acrux technology core patents until 2017.

Acrux has undertaken detailed market research with both users and prescribers of the current market-leading products.

Firstly, a patient focused market research study was conducted in the USA to confirm and quantify benefits of AXIRON and provide an objective, independent assessment of patient preference and potential product uptake. The research involved 81 hypogonadal men who were current users of either gels or injections to treat their condition. The research specifically evaluated in-use handling and the application routine compared with existing treatments.

Global sales to March 2009 exceeded US$1 billion, growing by 20%. Testosterone gels grew to US$0.75 billion.

After trialling AXIRON for 4 days:

- Two thirds of patients indicated that they would prefer AXIRON to their existing gel product.
- Three quarters of patients found that AXIRON was better than their existing gel treatment in the time it takes to apply and in the time it takes to dry.
- Two thirds of patients found it easier to apply than their existing gel.
- 94% believed that it would reduce the risk of transference.
- 79% of respondents became confident using it within only 2 days of use.

Overall, patients felt that AXIRON delivers on several highly important and currently unsatisfied needs:

- Provides a convenient application process that can easily be incorporated in the daily grooming routine.
- Simplifies the application process and lowers total application time.
- Lowers the risk of transference of testosterone to others.

After trialling AXIRON for 4 days, two thirds of patients indicated that they would prefer AXIRON to their existing gel product.

OPERATING REVIEW

The significance of AXIRON's reduced risk of transference of testosterone to others ("secondary exposure") that was recorded by 94% of patients in the study was further reinforced in May 2009 when the FDA announced that the product labels of the leading testosterone gels, AndroGel® and Testim®, would be required to include a boxed warning about the risk of secondary exposure and the steps that should be taken to reduce this risk. The FDA acted after receiving reports of adverse effects in children who were inadvertently exposed to testosterone through contact with another person being treated with gels.

Acrux conducted a second market research study on the attitudes of physicians towards AXIRON. The study involved the main prescribing groups for testosterone therapy. The first phase involved in-depth interviews with doctors in the US and Australia. The second phase, conducted solely in the US with a total of 136 doctors, was a quantitative survey and involved 51 Endocrinologists, 53 Urologists, and 32 Primary Care Physicians.

The objective of the study was to confirm the decision-making process of prescribers when diagnosing and choosing a treatment for patients with hypogonadism, and to gather their perceptions of AXIRON against existing treatments. 91% of all physicians surveyed rated AXIRON very good or excellent in being able to improve the overall patient experience, compared with existing gel treatments. 92 % rated AXIRON as very good or excellent in its ability to reduce the risk of transference to others when compared to the gels. When asked about their intention to prescribe the product, 87% of all physicians said they would offer AXIRON to their existing gel patients.

94% of patients and 92% of physicians rated AXIRON better than gels in reducing the risk of transference to others.

91% of physicians surveyed rated AXIRON very good or excellent.

ESTABLISHING COMMERCIAL MANUFACTURING

Reliable and cost-effective commercial manufacturing arrangements for AXIRON are a key component of both the FDA marketing application and the commercial package for prospective marketing partners. In August 2008, Acrux announced an alliance with the European pharmaceutical company Orion Corporation. Acrux appointed Orion as the exclusive commercial manufacturer of AXIRON,

If approved by the FDA, AXIRON is expected to enter the market in early 2011.

at its FDA-approved facility in Finland. The alliance has involved an investment by both companies in additional infrastructure at the Orion facility. The investment by Acrux formed part of the original budget for the AXIRON Phase 3 programme.

During the year, in parallel with the AXIRON Phase 3 trial, the transfer to Orion and scale-up of the manufacturing process for commercial supply proceeded according to plan. The dedicated product filling machine commissioned and owned by Acrux was installed at the Orion factory. Orion successfully scaled-up the process and manufactured three registration batches, formulated at commercial scale, as required for the marketing application to the FDA.

ORION successfully scaled up the process and manufactured 3 registration batches, formulated at commercial scale.

OPERATING REVIEW

THE PHASE 3 TRIAL

In September 2009 Acrux announced excellent results from its international Phase 3 trial of AXIRON. 155 hypogonadal men enrolled in the trial at sites in the USA, Australia, France, Germany, Sweden and the UK. The main trial involved 4 months of treatment. 52 men continued treatment for 2 months specifically to monitor skin safety with 6 months continuous treatment, as required by the FDA. During the trial, blood samples were analysed to determine the level of testosterone in the blood at defined timepoints.

In terms of the primary objective of the trial, 4 months of treatment with AXIRON achieved average blood levels of testosterone within the normal range in 84% of the subjects, significantly exceeding the requirement of 75% that was agreed with the FDA. Blood levels of testosterone were also measured after 2 weeks and 2 months of treatment. 76% of subjects had average blood levels of testosterone within the normal range after only 2 weeks of treatment with AXIRON.

4 different dose levels were tested and the trial demonstrated that the optimum dose for 75% of subjects was 60mg testosterone per day, representing the most convenient treatment regimen of one application of AXIRON to each armpit. All subjects started, and 75% remained, on this dose.

Subjects were also permitted to use an underarm deodorant or antiperspirant product during the trial. More than half of the men continued to apply an underarm deodorant or antiperspirant as a part of their daily routine and an analysis of these subgroups showed that this had no impact on the efficacy of AXIRON treatment.

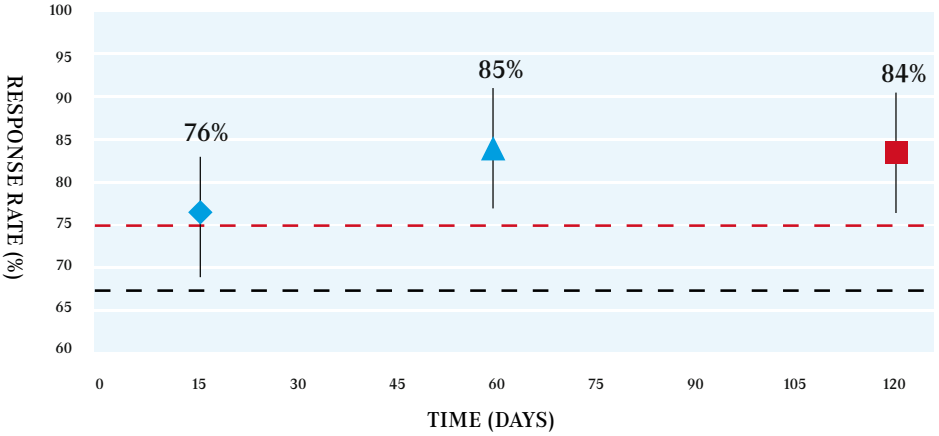
Analysis of mood, sexual desire, sexual activity and sexual performance before and after 4 months of treatment showed significant improvement from baseline across all measurements.

There were no serious adverse events related to treatment with AXIRON and no adverse trends were identified with biochemical safety measures. 8 men reported some form of transient application site reaction during the trial; however these reported events were all mild or moderate and resolved quickly without any intervention. No patient withdrew due to a skin reaction.

Prior to the trial results in September 2009, Acrux attended a pre-New Drug Application (NDA) meeting with the FDA in Washington, DC. The FDA agreed that Acrux may proceed to file a marketing application for AXIRON. Compilation of the comprehensive application is underway, with submission targeted for the end of 2009.

76% of subjects in the normal range after only 15 days of treatment.

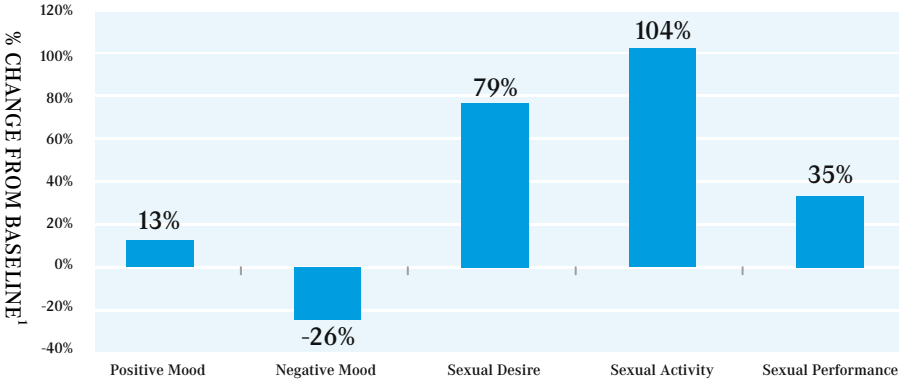
EFFICACY RESULTS – PROPORTION IN NORMAL RANGE ±95% CI



75% primary endpoint target at Day 120

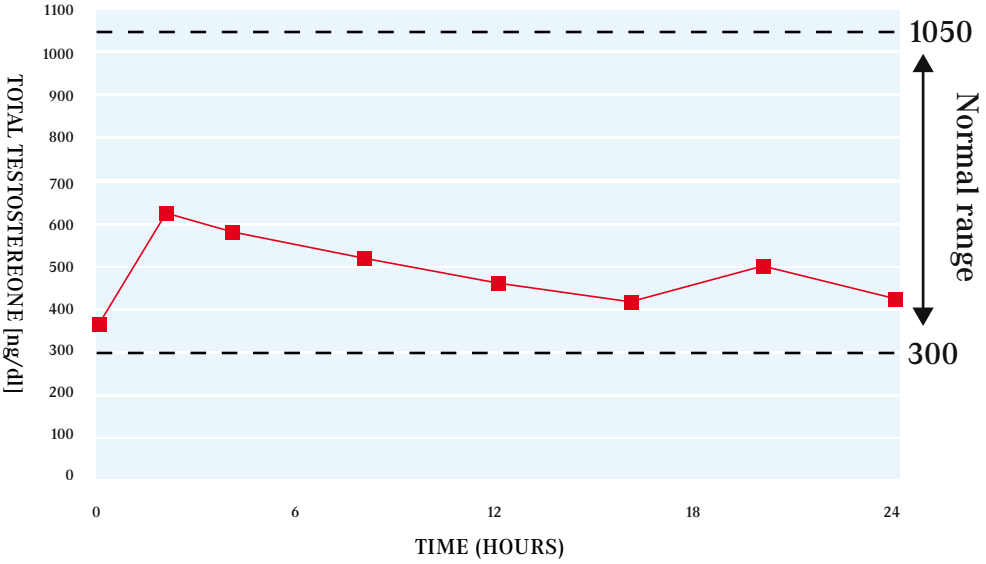
66.8% lower bound of 95% CI required to meet primary endpoint

PSYCHOSEXUAL MEASURES



[1] p-value <0.0001

AVERAGE TESTOSTERONE PROFILE OF RESPONDERS ON DAY 120



ESTRADIOL SPRAY (ELLAVIE™ AND EVAMIST™)

EX-USA MARKETS

Rapid progress during the year on the commercialisation of Acrux's estradiol spray outside the USA led to a number of breakthroughs for the Acrux business, including its first product marketing application in Europe and its first distribution deals in Europe, Africa and Asia.

In December 2008, Acrux submitted a marketing application for Ellavie to the Swedish regulatory authority. Approval of this application will facilitate approval in other European Community countries under a Mutual Recognition procedure.

Since June 2009 Acrux has signed four agreements appointing marketing and distribution partners in key territories around the world. These agreements provide Acrux with aggregate fees on signing and associated with regulatory approval and market launch of approximately $4.7 million, as well as ongoing distribution fees based on sales in each country.

Each partner was selected for its strength in the particular territory and/or for its experience in the sales and marketing of women's health products:

- HRA Pharma for the key European markets of Germany, France, United Kingdom, Spain and Italy, as well as Greece, Turkey and Cyprus. HRA Pharma is headquartered in Paris and specialises in reproductive health and endocrinology.
- Aspen Pharmacare in South Africa and certain other Southern African countries. Aspen is the largest pharmaceutical manufacturer in Africa and recently announced a wide-ranging strategic commercial partnership with GlaxoSmith-Kline in Southern Africa.
- Dream Pharma in South Korea. Dream Pharma is a rapidly growing pharmaceutical subsidiary of one of the leading business conglomerates in South Korea, Hanwha Corporation.
- Vifor Pharma in Switzerland. Vifor is a fully integrated specialty pharmaceutical company that is part of the Swiss-based Galenica Group. Established in 1927, Galenica operates successfully at every stage of the pharmaceutical value-chain, from research to retailing.

Acrux expects to sign further distribution agreements for other territories during 2010.

Acrux estimates the aggregate peak annual sales potential for the estradiol spray in all markets outside the USA to be at least $30 million. Launch in these markets is expected to commence in the 2010/11 financial year.

The estradiol spray is targeting the ex-USA estrogen therapy market of approximately US$360 million per annum. In Europe, transdermal therapies (skin patches and gels) currently account for market share of 53%. Acrux estimates the aggregate peak annual sales potential for the estradiol spray in all markets outside the USA to be at least $30 million. Launch in these markets is expected to commence in the 2010/11 financial year.

All of this commercial progress was made possible by an important license agreement concluded in August 2008 between Acrux and KV Pharmaceutical, Acrux's licensee for the estradiol spray in the USA (branded Evamist™). Under this agreement, Acrux obtained full rights to use the FDA-approved US registration package in order to obtain registration in all other markets. In return, KV obtained the right to develop and commercialise a number of other products incorporating the Acrux delivery technology.

Subsequently, KV was unable to proceed with such other products and Acrux recovered the rights. Acrux retained full rights to the US registration package, which was subsequently utilised in its marketing application to the authority in Sweden and which will be utilised by Acrux's partners to obtain registration in markets outside the European Community.

4 deals

Since June 2009 Acrux has signed four agreements appointing marketing and distribution partners in key territories around the world.

These provide aggregate fees of $4.7 million plus ongoing fees based on sales in each country.

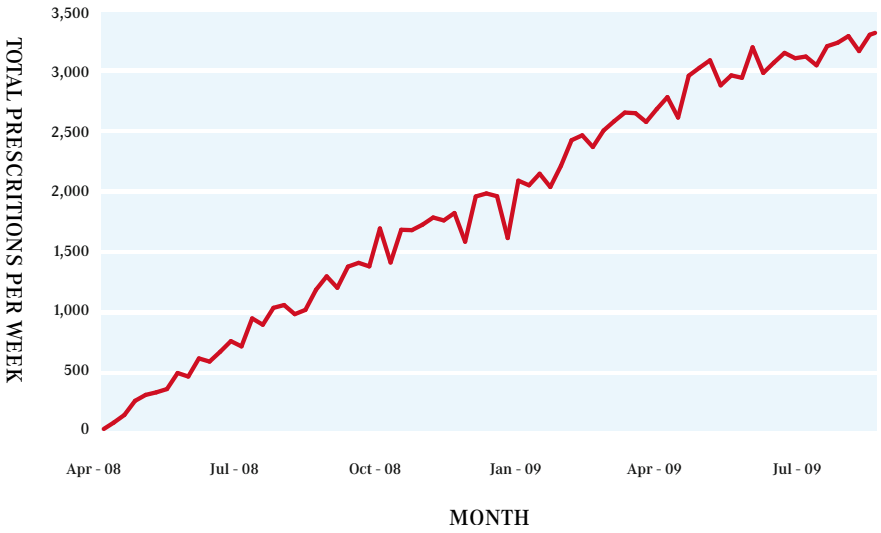
OPERATING REVIEW

US MARKET

The graph below shows the steadily growing number of weekly prescriptions written by doctors for Evamist in the USA since market launch in 2008. Evamist is marketed and distributed under license by a subsidiary of the US company KV Pharmaceutical. During the year, KV has undergone a significant restructuring of its business following a number of product recalls and the temporary suspension of its manufacturing operations by the FDA. However, the supply of Evamist, which is manufactured by a third party, has not been adversely affected by these events. KV has provided reassurances that despite the broader organisational challenges it remains fully committed to focusing its sales force on the promotion of Evamist. KV has stated that the marketing and promotional support for Evamist remains unchanged by the restructuring elsewhere in the company and that it expects the weekly growth in sales of Evamist to continue.

As a benchmark, annual sales of the leading estradiol transdermal patch have grown steadily to approximately US$170 million and continue to grow. Acrux earns a royalty on sales of Evamist, which is not yet a significant contributor to Acrux's revenues.

KV has stated that it expects the weekly growth in sales of Evamist to continue.



ABOUT THE ESTRADIOL SPRAY

A small, hand-held spray, designed to provide an easy and convenient means of delivering a preset dose of estradiol via the skin, in order to reduce symptoms that affect quality of life for many menopausal women. The spray applicator is placed gently against the skin and an actuator button is pushed, releasing a light spray containing a proprietary formulation of estradiol. The spray is fast drying, non-irritating and invisible after application. Estradiol is released into the blood stream on a sustained basis over 24 hours.

ABOUT ESTROGEN THERAPY

Estrogen therapy ("ET") is the medical administration of estrogen to supplement the hormones that the ovaries no longer produce, due to natural or surgical menopause. ET can provide relief from the unpleasant symptoms of menopause such as hot flashes. ET products are available in oral, transdermal patch, injectible and transdermal gel/lotion formulations.

PROGRESS WITH OTHER PRODUCTS

ANIMAL HEALTH

This product range has the potential to make a significant contribution to Acrux's future revenue and profitability.

The administration of transdermal drugs in companion animals has always represented a compelling application of the Acrux delivery technology. Acrux's partner Elanco, a division of the global pharmaceutical group Eli Lilly and Company, made excellent progress during the year on its plan to commercialise a range of products for global markets, using Acrux's unique liquid technology to deliver drugs across the skin of animals.

In December 2008, Elanco submitted an application to the Center of Veterinary Medicine, a division of the FDA, for marketing approval of the first product in this range. On approval of this application, Acrux will receive a milestone payment from Elanco, followed by royalties on sales, expected to start in 2010.

A number of further products are already in clinical development and these will likewise attract product approval milestone payments and royalties. This product range has the potential to make a significant contribution to Acrux's future revenue and profitability.

Elanco develops and markets products to improve the health and wellness of animals in more than 100 countries. The market for animal health products is worth more than US$14 billion per annum worldwide, with products for companion animals growing strongly.

2010

Expected launch of first product.

TESTOSTERONE SPRAY TO TREAT HSDD[1] IN WOMEN

During the year, Acrux was vindicated in its actions in seeking to enforce the performance obligations of US licensee Vivus Inc. through a formal arbitration process in the United States. An independent arbitration panel convened by the Judicial Arbitration and Mediation Service (JAMS) in California conducted a hearing and made two interim rulings.

In the second interim ruling released in June 2009, the panel set a new "Outside Date" of 1 April 2010, by which Vivus must dose the first patient in a Phase 3 trial for Acrux's testosterone spray for women (trademarked Luramist™ by Vivus).

This was the date sought by Acrux in arbitration. Importantly, the panel will keep jurisdiction over the matter until at least 1 April 2010.

In the first interim ruling released in April 2009, the panel had found that whilst Vivus was not in breach of the licence agreement and to date had used diligent, commercially reasonable efforts to develop Luramist, the prior regulatory environment that made it commercially reasonable for Vivus to proceed as it did with respect to the development of Luramist no longer existed and there was no reason for further delay by Vivus.

We continue to believe that Luramist can generate very strong commercial returns for Acrux, as the preferred product in a market potentially worth more than US$1 billion annually.

1 April 2010

Deadline to start Phase 3.

Luramist can generate very strong commercial returns for Acrux, as the preferred product in a market potentially worth more than US$1 billion annually.

[1] *HYPOACTIVE SEXUAL DESIRE DISORDER*

PROGRESS WITH OTHER PRODUCTS

CONTRACEPTIVE SPRAY

In February 2009, Acrux announced positive results from the latest clinical studies of Nestorone® MDTS®, its unique contraceptive skin spray. The spray is designed to be an important choice for women using hormonal contraceptive pills or patches. The global contraceptive market was worth US$7.2 billion in 2007 and by 2012 is estimated to grow by 45%. 3 out of 4 contraceptive pills and the only approved contraceptive patch, contain both a progestin and ethinyl estradiol (an estrogen).

Acrux's trials in Australia with 40 women tested a number of its skin spray formulations, applied to the forearm once a day over 14 days. The formulations contained the proprietary new generation progestin Nestorone, combined with either ethinyl estradiol or estradiol as the estrogen. The amount of each of these hormones in the blood was measured once a day during the 14-day period and every 4 hours on day 14.

Formulations containing Nestorone and ethinyl estradiol successfully delivered therapeutic amounts of both hormones across the skin into the blood. Figure 1 and Figure 2 below illustrate the results following administraion of Nestorone and ethinyl estradiol using the lead formulation.

ABOUT NESTORONE®

Nestorone, which cannot be taken orally, is a fourth-generation progestin contraceptive that has no androgenic hormonal effects, and a good safety profile.

3 out of 4 contraceptive pills and the only approved contraceptive patch, contain both a progestin and ethinyl estradiol.

FIGURE 1:
Average Nestorone® in the blood on day 14, compared with amounts known to suppress ovulation from Nestorone® implants and vaginal rings.

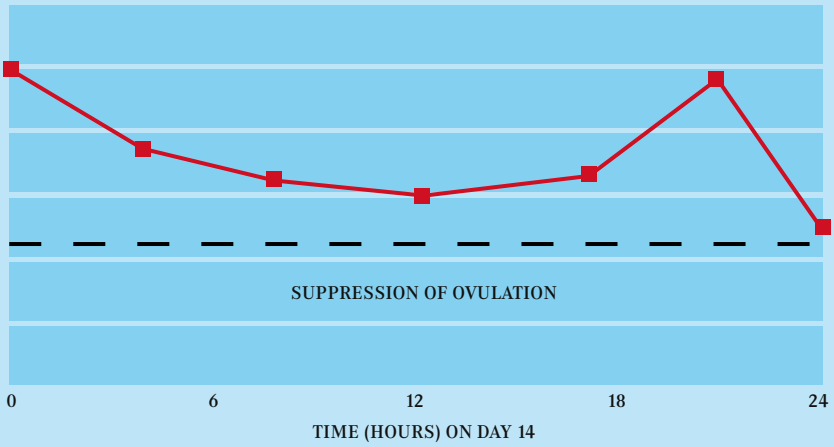
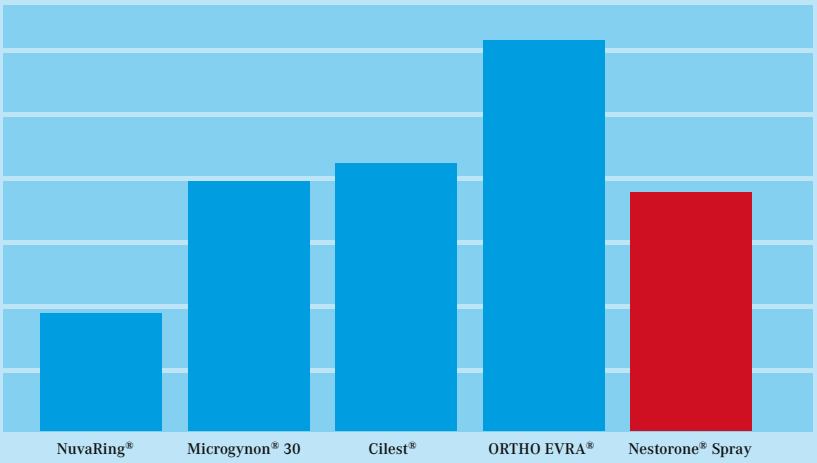


FIGURE 2:
Average daily delivery of ethinyl estradiol, compared with delivery from marketed products.



NSAIDs

In November 2008, Acrux announced the addition of a valuable new range of drugs to its product pipeline. Acrux's novel skin spray formulations of three non-steroidal anti-inflammatory drugs (NSAIDs) demonstrated superior delivery of the drugs compared with currently marketed products.

NSAIDs are widely used to reduce pain and inflammation in conditions such as osteoarthritis. Gels, creams and patches applied to the affected area ("topical NSAIDs") can provide more targeted delivery of the drug to the affected joint and avoid some of the side effects associated with oral NSAIDs. Topical NSAIDs have traditionally been used in markets outside the USA and in October 2007 the first topical NSAID was approved for sale by the US Food and Drug Administration (FDA) to treat osteoarthritis pain.

Acrux tested novel formulations containing diclofenac, ketoprofen and ibuprofen, which are the drugs used in many of the major marketed brands of topical NSAIDs. The formulations and a marketed product containing each drug were compared using human skin in the laboratory. The Acrux formulations showed between 5 and 9 times higher delivery of the drug through the skin. These results show the potential to improve the effectiveness of the current marketed therapy and reduce the amount of drug in each dose.

Acrux intends to develop and commercialise topical NSAID sprays in collaboration with commercial partners in the major markets. Also announced in November 2008 was the timely approval for grant in Japan of the core patent protecting Acrux's delivery technology. Japan is traditionally a major market for topical NSAIDs.

Nov 2008

Acrux announced the addition of a valuable new range of drugs (NSAIDs) to its product pipeline.

Nov 2008

Approval for grant in Japan of the core patent protecting Acrux's delivery technology.

The Acrux formulations showed between 5 and 9 times higher delivery of the drug through the skin.

FINANCE

	30 June 2009 $m	30 June 2008 $m
Revenue from product agreements	0.6	3.8
Grant income	0.7	0.7
Interest and other income	2.2	2.5
Total revenue	**3.5**	**7.0**
Total expenditure	**(23.9)**	**(16.0)**
Loss before capitalised development costs	**(20.4)**	**(9.0)**
Capitalised AXIRON Phase 3	12.4	3.9
Capitalised Ellavie registration	0.3	0.3
Loss before tax	**(7.7)**	**(4.8)**
Foreign tax credits written off	-	**(0.2)**
Net loss	**(7.7)**	**(5.0)**
Net cash outflow before new capital	**(19.7)**	**(7.1)**
New share capital net proceeds	0.1	24.3
Net cash inflow/(outflow)	**(19.6)**	**17.2**
Net cash	**14.7**	**34.4**

REVENUE

The consolidated loss for the financial year was $7.7 million (2008: $5.0 million). Total revenue for the financial year was $3.5 million (2008: $7.0 million). Revenue from product agreements was $0.6 million, compared with $3.8 million in the prior financial year, which included contracted revenue of $3.5 million following approval by the US Food and Drug Administration (FDA) for marketing of Evamist. Interest income was $1.6 million, down from $2.5 million for the previous year, reflecting both reducing cash reserves due to funding the AXIRON product development activities and lower market interest rates. Pharmaceutical Partnerships Program grant income and Export Market Development grant income was unchanged at $0.7 million. The weakening of the Australian dollar resulted in $0.6 million of foreign currency gains on the translation of foreign currency cash reserves.

EXPENDITURE

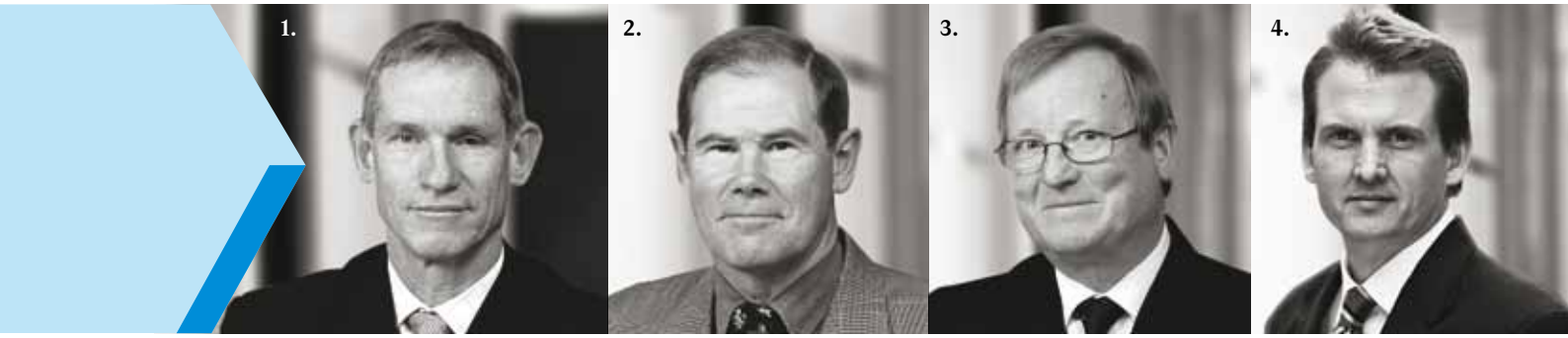
Total reported operating expenditure was $11.2 million (2008: $11.8 million). Expenditure before the capitalisation of development costs relating to AXIRON and Ellavie increased to $23.9 million from $16.0 million, mainly in external research and development expenditure and professional fees. As planned, external research and development expenditure before capitalisation of development costs increased to $12.7 million (2008: $7.2 million), with the Phase 3 development of AXIRON contributing $10.8 million.

Employee benefits expense, before capitalisation of development costs, increased to $5.1 million (2008: $4.9 million). Excluding the non-cash employee share options expense, which increased to $0.8 million from $0.6 million, employee benefits expense before capitalisation of development costs remained unchanged from the prior financial year.

CASH FLOW

Net cash outflow before new share capital was $19.7 million (2008: $7.1 million), the expected increase in cash outflow reflecting the substantial investment in the Phase 3 development of AXIRON during the period. There was a small cash inflow from the exercise of employee share options, compared with the prior financial year that included a net inflow of $24.3 million from new capital to fund the Phase 3 development of AXIRON.

BOARD OF DIRECTORS



1. Ross Dobinson, BBus
(Non Executive Chairman, member of the Human Capital Committee and member of the Audit and Risk Committee with financial qualification)
Ross has been a Director since 1998 and was appointed Chairman in January 2006. He is a founder and former CEO of Acrux. Ross has a background in investment banking and stock broking. He is currently Managing Director of TSL Group Ltd, a corporate advisory company specialising in establishing and advising life sciences companies. He is also a director of Starpharma Holdings Limited (ASX: SPL), since May 1997, and a number of unlisted companies including TPI Enterprises Ltd.

2. Ken Windle, BPharm, MPS
(Non Executive Deputy Chairman, Chair of the Human Capital Committee and Chair of the Audit and Risk Committee)
Ken has been a Director since 2001. He held a series of global commercialisation and senior management positions in Glaxo and Glaxo Wellcome, serving as a member of the Group Executive and Commercial & Operations Committees. From 1980 he headed Glaxo's UK subsidiary and was CEO of Glaxo Australia from 1986-95. In 1995 he was appointed Regional Director, Asia Pacific. He was also director of Sigma Company Limited (ASX: SIP) from 2000 to December 2005. Ken is currently Chairman and CEO of Advent Pharmaceuticals Pty Ltd, Chairman of Cerylid Limited and a director of Aus Bio Limited. Ken is also a member of the Innovation Australia Board and Chairman of the Pharmaceuticals Committee. He has served as a Consultant to the Prime Minister's Science Council on Industry Development and was a Director of the Singapore Economic Development Board. Ken was Chairman of the APMA (now known as Medicines Australia) and has been twice a winner of the Governor of Victoria Export Prize.

3. Professor Barrie Finnin, BPharm, PhD, PhC
(Non Executive director, member of the Human Capital Committee and member of the Audit and Risk Committee)
Barrie has been a Director since 1999 and is a co-inventor of Acrux's technology. He is currently Professor of Formulation Science at the Victorian College of Pharmacy, Monash University, Australia. Barrie has more than 15 years experience in the management of commercially funded research in an academic setting. He has conducted projects at various phases of drug development and manufacture for major pharmaceutical companies, and has experience in the design and commissioning of GMP manufacturing. He also has experience as an external evaluator of new drug applications for the Australian Therapeutic Goods Administration (TGA).

4. Dr Richard Treagus, BScMed, MBChB, MPharmMed, MBA
(Chief Executive Officer and Managing Director)
Richard joined Acrux as CEO in May 2006 and was appointed to the board in April 2007. He is a medical doctor, with 18 years experience in the international pharmaceutical industry. Having commenced with Roche in a Medical Advisory capacity, Dr Treagus soon transitioned into a variety of senior commercial roles. He was responsible for the Sales, Marketing and Strategic business development at Aspen Pharmacare (JSE: APN, South Africa) and a member of the Senior Executive team that took the company through a rapid growth phase following the acquisition of South African Druggists in February 1999. More recently, as General Manager of Sales, Marketing and Business Development at Sigma (ASX: SIP), Richard played an integral role in establishing growth opportunities for the business and concluding a variety of acquisitions and licensing deals.

SENIOR MANAGEMENT TEAM

1. Chief Executive Officer
Richard Treagus BScMed, MBChB, MPharmMed, MBA, joined Acrux as CEO in May 2006 and was appointed to the board in April 2007. He is a medical doctor, with 18 years experience in the international pharmaceutical industry. Having commenced with Roche in a Medical Advisory capacity, Dr Treagus soon transitioned into a variety of senior commercial roles. He was responsible for the Sales, Marketing and Strategic business development at Aspen Pharmacare (JSE: APN, South Africa) and a member of the Senior Executive team that took the company through a rapid growth phase following the acquisition of South African Druggists in February 1999. More recently, as General Manager of Sales, Marketing and Business Development at Sigma (ASX: SIP), Richard played an integral role in establishing growth opportunities for the business and concluding a variety of acquisitions and licensing deals.

2. Chief Financial Officer & Company Secretary
Jon Pilcher, BSc (Hons), ACA, joined Acrux in October 2002 and was appointed Chief Financial Officer in March 2004. He was reappointed Company Secretary in July 2006, having previously held that position from June 2003 to March 2005. This period included the listing of Acrux on the Australian Stock Exchange. Prior to joining Acrux, Jon was a Senior Manager at ANZ Banking Group and spent seven years with international pharmaceutical groups, Medeva and Celltech, based in the UK, where he held senior financial positions in the Research & Development and Corporate functions. He qualified as a Chartered Accountant in 1991 and holds a Bachelor of Science (in Biotechnology) from the University of Reading in the UK.

3. Chief Scientific Officer
Adam Watkinson, PhD, MBA, joined Acrux in July 2005. He has a wealth of experience in the area of drug delivery in general, and transdermal delivery in particular. Prior to Acrux he worked at UK specialty pharma company ProStrakan as a Project Manager and Drug Delivery Research Manager. Prior to ProStrakan, Adam played key roles at An-eX, a UK company that provides R&D development services in the area of percutaneous absorption to the pharmaceutical, cosmetic and agrochemical industries. Adam has an MBA from Cardiff University, a PhD from the Welsh School of Pharmacy in the area of transdermal delivery and a BSc in Chemistry from the University of Bath. He has published extensively on his research and holds an Honorary Chair in the School of Pharmacy at the University of London.

4. Director of Regulatory Affairs & Quality
Rosalie Cull, PhD, NZCS, NZ Dip Sci, joined Acrux in October 2006. Rosalie has extensive experience in drug development with an emphasis on Regulatory Affairs and Chemistry Manufacturing and Controls (CMC). Her experience covers a wide range of therapeutic areas and dosage forms, encompassing both biologicals and small molecules. Prior to Acrux she was a Manager in Kendle Australia's Regulatory, Development & Commercialisation Division. Prior to Kendle, Rosalie worked in Regulatory Affairs and active pharmaceutical ingredient (API) sourcing for Faulding Pharmaceuticals (now Mayne Pharma), in Regulatory Affairs for CSL and in various research and development roles for Biotech Australia, and several New Zealand based companies. Rosalie holds a PhD in Biochemistry from La Trobe University, Melbourne.

5. Director of Business Development
Nina Wilkins, PhD, M.IP.Law, began working with Acrux in 2001. Nina spent six years in research and development at Wyeth in the UK, gaining experience from formulation development through to pharmaceutical scale-up and technology transfer. Nina is responsible for the strategic identification, development and maintenance of commercial partnerships. She has previously held leadership roles at Acrux in project management and R&D and continues to be responsible for the intellectual property portfolio. Nina holds a PhD in transdermal delivery from Cardiff University, a Bachelor degree in Pharmacology and a Masters of Intellectual Property Law from Melbourne University.

6. Director of Business Development
Hugh Alsop, Bsc (Hons), MBA, joined Acrux from Sigma Pharmaceuticals Pty Ltd in August 2006. Hugh was responsible for successfully expanding Sigma's export markets in Europe and Asia through the completion of a number of out-licensing, manufacturing and distribution agreements. In addition to managing Sigma's export portfolio, Hugh was also responsible for the commercial aspects of Sigma's contract manufacturing business, focusing on maximising existing relationships and seeking new growth opportunities for the business. Prior to Sigma, Hugh spent 8 years at Mayne Pharma (FH Faulding & Co) in a variety of roles focused on global strategic development of their injectible business. Hugh holds a Bachelor of Science (in Chemistry) from the University of Melbourne and an MBA from Melbourne Business School.

7. Director of Clinical Development
Tina Soulis, BSc, PhD, joined Acrux in May 2006 and was appointed Director of Clinical Development in July 2007. Tina has over 15 years of experience in drug development, particularly in the design, management and implementation of clinical trials. Her experience encompasses all stages of drug development in many therapeutic areas and geographical regions. Prior to joining Acrux Tina held a senior clinical position with Kendle that involved the leadership of projects for numerous biotechnology and pharma clients. Prior to Kendle, Tina was a research manager responsible for a team of scientists developing new drugs for the management of diabetic disease. Tina holds a Bachelor of Science (in Biochemistry and Physiology) and a PhD in Medicine from the University of Melbourne.

8. Director of Technical Affairs & Product Development
Clive Blower, BSc (Hons), PhD, joined Acrux in October 2007 from Mayne Pharma where he held a number of senior management positions, the most recent of which was Development Manager, Injectable Development. Clive has experience in all stages of product development including Pre-Clinical, Active Pharmaceutical Ingredient (API) Sourcing, Regulatory Affairs, Intellectual Property, Manufacturing, Engineering, Quality Control, Quality Assurance and Commercial. While employed at Mayne he contributed to the development and launch of more than 25 pharmaceutical products.

CORPORATE GOVERNANCE STATEMENT

This statement summarises the corporate governance policies and procedures adopted by the board and discloses the extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles") during and since the reporting period.

The Company's corporate governance principles, details of which can be found on the Company's website (www.acrux.com.au), comprise:

- statement of corporate governance principles
- code of conduct
- board charter
- audit and risk committee charter
- human capital committee charter
- continuous disclosure and shareholder reporting policy
- share trading policy.

In addition the website contains summaries of the Company's:

- risk management policy
- director and senior executive performance policies
- whistleblower policy.

1. THE BOARD OF DIRECTORS

1.1 Board Role and Charter

The board has the primary responsibility for guiding and monitoring the business and affairs of the Company, including compliance with the Company's corporate governance objectives. The board's role is set out in the board charter which establishes the relationship between the board and management and describes their respective functions and responsibilities. The board is responsible for the oversight and performance of the Company, including matters such as:

(a) evaluating, approving and monitoring the strategic and financial plans and performance objectives for the Company;

(b) evaluating, approving and monitoring the annual budgets and business plans;

(c) evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions including the issue of any securities of the Company;

(d) monitoring and approving all financial reports and all other reporting and external communications by the Company;

(e) evaluation of board and individual director performance;

(f) appointing, removing and managing the performance of, and the succession planning for, the chief executive officer;

(g) overseeing and ratifying the terms of appointment and, where appropriate, removal, of senior management, including their remuneration;

(h) monitoring senior management performance and their implementation of strategy and ensuring appropriate resources are available;

(i) monitoring the Company's performance in relation to best practice principles of corporate governance;

(j) approving and monitoring the Company's risk management strategy and internal controls and accountability systems and their effectiveness;

The board has delegated the day to day management of the Company to the chief executive officer who, in turn, may delegate to senior management. The delegations to the chief executive officer include:

(a) developing business plans, budgets and company strategies for consideration by the board and, to the extent approved by the board, implementing those plans, budgets and strategies;

(b) operating the business of the Company within the parameters determined by the board and keeping the board promptly informed of all developments material to the Company and its business;

(c) identifying and managing operational risks and formulating strategies for managing those risks for consideration by the board;

(d) managing the Company's financial and other reporting mechanisms and control and monitoring systems to ensure that they capture all relevant material information on a timely basis and are functioning effectively;

1.2 Board Composition

The board currently has three non-executive directors and one executive director. The names of the directors at the date of this report, the year of their appointment, their status as non-executive, executive or independent director and whether they retire at the 2009 annual general meeting are set out in the table below. The details of their background, skills and experience are set out on page 17 of this report.

Name	Year Appointed	Non-Executive	Executive	Independent	Retiring at 2009 AGM
Ross Dobinson	1998	Yes	No	Yes	Yes
Ken Windle	2001	Yes	No	Yes	No
Barrie Finnin	1999	Yes	No	Yes[1]	No
Richard Treagus	2007	No	Yes	No	No

[1] *During the year, Barrie Finnin provided scientific advisory services to a subsidiary of the Company, as disclosed in the financial report, however the board has determined that this contractual relationship was not material and did not impact his independence as a director.*

CORPORATE GOVERNANCE STATEMENT

1.3 Director Independence

In accordance with the recommendations of ASX Principle 2, the board charter requires the board to include a majority of non-executive independent directors, a non-executive independent chairman and to have different persons filling the roles of chairman and chief executive officer.

At all times during and since the end of the financial year a majority of board members were independent, non-executive directors, as recommended in ASX Principle 2.2.

The chair of the board, Ross Dobinson, is an independent non-executive director. The chair is responsible for the leadership of the board, for ensuring that the board functions effectively and, where appropriate, communicating the views of the board to the public. The chair sets the agenda for board meetings, and manages their conduct and facilitates open discussion between board members, between the board and management and with the public.

1.4 Terms of Director Appointment

The non-executive directors, who were all appointed prior to the listing of the Company on the Australian Stock Exchange in September 2005, do not have formal letters of appointment. The terms of appointment of the executive director are disclosed in the Remuneration Report.

1.5 Access to Information and Independent Advice

All directors have unrestricted access to employees of the Company and, subject to the law, access to all company records and information held by the Company, its employees and advisors. The board receives for each board meeting an agenda, detailed financial and operational reports and the reports of the board committees.

Each director is entitled to obtain independent professional advice at the Company's expense for the purpose of assisting them in performing their duties. A director who wishes to obtain such advice must first obtain the approval of the chair (which approval must not be withheld unreasonably) and must provide the chair with the reason for seeking such advice, the identity of the person from whom the advice will be sought and the likely cost of obtaining such advice. Except in certain circumstances detailed in the board charter, advice obtained in this manner is made available to the board as a whole.

1.6 Human Capital Committee

The members of the human capital committee of the board are Ken Windle (Chair), Barrie Finnin and Ross Dobinson. The committee met twice during the year ended 30 June 2009, with all members attending. Members of the committee are chosen having regard to their skills and experience in relation to the matters for which the committee is responsible. Members of the committee have unrestricted access to company records, management and advisers and the external auditors.

The committee's role, which is set out in its charter, in general terms is to:

(a) establish a formal and transparent procedure for the selection and appointment of new directors to the board;

(b) identify suitable candidates to fill board vacancies as and when they arise and nominating candidates for the approval of the board;

(c) consider processes for the orientation and education of new directors and developing ongoing policies to facilitate continuing education and development of directors;

(d) assess periodically the skills required for each director to discharge competently the director's duties;

(e) regularly review the structure, size and composition of the board and the effectiveness of the board as a whole;

(f) establish and conduct an appropriate evaluation of the board's process and of existing directors, including an evaluation of whether each director is contributing the time required of him or her for board duties;

(g) recommend to the board a policy and framework for senior employees' remuneration;

(h) review and monitor the implementation of the human resources plan of the Company and senior management succession planning; and

(i) review and recommend to the board the total individual remuneration package of each member of senior management, including any bonuses, incentive payments, and participation in any share or share option plans in accordance with the policy and framework for senior employees' remuneration;

In accordance with the recommendations of ASX Principle 2.4, the committee's charter further provides that, where practical, a majority of the committee must be independent non-executive directors and the chair must be a non-executive director who is not the chair of the Company. Executive directors may not be members of the committee. These requirements were met at all times during and since the end of the financial year.

1.7 Audit and Risk Committee

The members of the audit and risk committee of the board are Ken Windle (Chair), Ross Dobinson and Barrie Finnin. The risk and audit committee met twice during the year ended 30 June 2009, with all members attending. Members are chosen having regard to their skills and experience in relation to the mattes for which the committee is responsible. Members of the committee have unrestricted access to company records, management, advisers and the external auditors.

The committee's role, as set out in its charter, in general terms is to:

(a) oversee the Company's system of financial reporting for the purpose of safeguarding its integrity, including viewing all regular financial reports and other formal announcements relating to the Company's financial performance prepared for release to the ASX, regulators and the public before making appropriate recommendations to the board;

(b) determine the extent of internal audit activities required and monitor the effectiveness of those activities (note that the committee has determined that the Company, due to its size, does not presently warrant establishing a separate internal audit function);

(c) monitor the performance and activities of the external auditor including:

— overseeing the process for the appointment, re-appointment and removal of the external auditors (including audit engagement letters), overseeing the rotation of the principal audit partner and reviewing the level of the external auditors' fees;

— assessing the performance and independence of the external auditors and the quality of the audit work performed;

— requiring, reviewing and monitoring compliance with the audit plan of the external auditors, including the scope of the plan and the levels of financial statement materiality;

— reviewing reports from the external auditors and meeting with the external auditors at least once annually in the absence of management and also meeting with the external auditors as requested by the board, the committee or the external auditors; and

— receiving, reviewing, developing and implementing policy on the engaging of the external auditors to supply non-audit services.

(d) oversee and review the Company's financial and risk management compliance and internal control framework including:

— overseeing the creation, implementation and maintenance of the risk management system of the Company and its controlled entities and their internal control framework, including information systems;

— reviewing the effectiveness of the Company's implementation of its risk management systems and internal controls on an on-going basis and reviewing the outcome of any non-financial audits;

— requiring management to report to the board at least annually on whether the Company's material business risks are being managed effectively;

— developing an understanding of the overall business environment, relevant laws and codes of importance to the Company and the programmes that the Company has in place to provide reasonable assurance of compliance;

— reviewing the Company's occupational health and safety policies and ensuring regular reporting to the committee on issues related to occupational health and safety;

— reviewing insurance coverage and claims trends;

— ensuring that the chief executive officer and the chief financial officer state in writing to the board annually that:

— the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards is founded on a sound system of risk management and control which implements the policies adopted by the board;

— the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The board has received the report from management, referred to above, on whether the Company's material business risks are being managed effectively. The board also received the statement in writing from the chief executive officer and the chief financial officer, referred to above, on 26 August 2009.

In accordance with the recommendations of ASX Principle 4.2, the committee's charter provides that a majority of the committee must be independent non-executive directors and the chair must be a non-executive director who is not the chair of the Company. Executive directors may not be members of the committee. These requirements were met at all times during and since the end of the financial year.

1.8 Director and Senior Management Remuneration and Performance

The remuneration structure for senior management and directors and the amounts paid to each during the year are set out in the remuneration report section of the directors' report on page 30.

Non-executive directors are remunerated by way of fees only and do not participate in executive remuneration schemes, nor receive options, bonus payments or retirement benefits (other than statutory superannuation).

At the end of each financial year, the performance of senior executives against personal goals is assessed. Personal goals and development plans for the next financial year are set, aligned with the Company's objectives. The review of senior management team members is carried out by the chief executive officer and the results are subject to further review and approval by the human capital committee. The review of the chief executive officer is carried out by the human capital committee and approved by the board. A performance evaluation in accordance with this process was undertaken in respect of the year ended 30 June 2009.

A formal review of the performance of the board and its committees was not undertaken during the year ended 30 June 2009.

CORPORATE GOVERNANCE STATEMENT

2. DISCLOSURE AND COMMUNICATION

2.1 Continuous Disclosure

The board has approved a written continuous disclosure policy to ensure compliance with the ASX Listing Rules continuous disclosure requirements. This policy:

(a) gives guidance as to the information that may need to be disclosed;

(b) gives guidance for dealing with market analysts and the media;

(c) establishes regular reminders to directors and senior management to actively consider whether there is any price sensitive information which needs disclosure;

(d) allocates responsibility for approving public disclosures and shareholder communications.

2.2 Communications with Shareholders

The board has approved, as part of the continuous disclosure policy, the Company's policy to promote effective communication with its shareholders. In addition to its disclosure obligations under the ASX Listing Rules, the Company communicates with its shareholders through a number of means including:

(a) annual and half-yearly reports;

(b) regular shareholder updates sent by email or mail;

(c) media releases, public announcements and investor briefings; and

(d) annual general meetings.

All the above are posted on the Company's website (www.acrux.com.au). Shareholders are encouraged to receive shareholder materials electronically.

In addition the Company is committed to using general meetings of the Company to effectively communicate with shareholders and to allow reasonable opportunity for informed shareholder participation at general meetings. Where possible the Company will comply with the ASX best practice guidelines for the content of notices of meeting. Further, the external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit of the Company and the preparation and content of the auditor's report. The Company is committed to further developing its communications strategies to achieve best practice shareholder communication.

3. SHARE TRADING

Under the Company's share trading policy all employees and directors of the Company and its related companies are prohibited from trading in the Company's shares if they are in possession of inside information. Subject to this, trading can occur at any time.

The directors, the chief executive officer, the company secretary and persons reporting directly to the chief executive officer (and their associated persons) may not trade in shares in the Company without the approval of the company secretary (or the chair in the case of the company secretary) and only if they have first given a statement that they are not in possession of material non-public information. Such approval expires after five business days.

4. CONDUCT AND ETHICS

The directors and management of the Company and its controlled entities are committed to observing high standards of ethics and behaviour in all of the Company's activities, including the Company's interaction with its shareholders, employees, business partners, customers, suppliers, the community and the environment in which the Company operates.

The Company has adopted a code of conduct which provides the ethical and legal framework for how the Company will conduct its business and how the Company will relate to shareholders, employees, business partners, customers, suppliers, the community and the environment in which the Company operates. Issues covered by the code of conduct are:

- values
- compliance with laws
- fair dealing
- confidentiality and protection of Company assets
- conflicts of interest
- shareholders and the financial community
- trading in Company securities
- equal opportunity
- health, safety and environment
- reporting non-compliance and grievances
- compliance with taxation laws
- bribes and financial inducements
- political donations

In addition the Company has adopted a whistleblower policy. The purpose of this policy is to encourage the reporting of conduct by employees of the Company and other persons with whom the Company deals closely where the interests of others, including the public, or of the Company itself are at risk. The conduct covered by the policy is conduct that is:

(a) illegal, dishonest, fraudulent or corrupt;

(b) in breach of Commonwealth or state legislation or local authority by-laws;

(c) in breach of applicable industry practices, such as Good Laboratory Practice, Good Clinical Practice or Good Manufacturing Practice;

(d) unethical (being either a breach of the Company's code of conduct or generally);

(e) gross mismanagement;

(f) a serious or substantial waste of resources;

(g) an unsafe work practice;

(h) failure to comply with the Company's code of conduct;

(i) failure to comply with agreements with the Company's commercial partners;

(j) a breach of proper environmental practice;

(k) other serious improper conduct;

(l) any other conduct that may cause financial or non-financial loss to the Company or otherwise be detrimental to the interests of the Company

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of Acrux Limited and the entities it controlled for the financial year ended 30 June 2009 and the independent audit report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

Principal Activities

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

Operating Results

The consolidated loss after income tax and eliminating minority equity interest attributable to the members of Acrux Limited was $7.7 million (2008: $5.0 million).

Review of Operations

Vision

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

Business Strategy

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

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

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

Operating Results

The consolidated loss for the financial year was $7.7 million (2008: $5.0 million). The prior financial year included the receipt of contracted revenue of $3.5 million, following the marketing approval of Evamist™ for the USA by the US Food and Drug Administration (FDA).

Reported operating expenditure of $11.2 million (2008: $11.8 million) was reduced by the capitalisation of $12.7 million (2008: $4.2 million) in product development costs, as required by AASB138. Compared with the prior financial year, external research and development expenditure before this capitalisation increased as expected by $5.5 million to $12.7 million. The increase was due to the development of AXIRON™, with the Phase 3 clinical trial program contributing the majority of the increased expenditure.

Revenue

Total revenue for the financial year was $3.5 million (2008: $7.0 million). Revenue from product agreements totaled $0.6 million, compared with $3.8 million in the prior financial year, which included the contracted revenue of $3.5 million following approval by the FDA for marketing of Evamist. Interest income was $1.6 million, down from $2.6 million for the previous year, reflecting both reducing cash reserves due to funding the AXIRON product development activities and lower market interest rates than the prior year. Pharmaceutical Partnerships Program grant income and Export Market Development grant income contributed $0.7 million (2008: $0.7 million). The weakening of the Australian dollar during the middle part of the financial year resulted in the recognition of $0.6 million of foreign currency gains, largely due to the translation of foreign currency bank balances. The prior financial year included $0.4 million of foreign currency losses in expenditure.

Operating Expenditure

Total reported operating expenditure was $11.2 million (2008: $11.8 million). Expenditure before the capitalisation of development costs relating to AXIRON and Ellavie™, increased to $23.9 million from $16.0 million. Of this total, external research and development expenditure before capitalisation, was $12.7 million (2008: $7.2 million). The continued phase 3 development of AXIRON contributed $10.8 million, while clinical trial expenses for Nestorone® MDTS® added $0.6 million and product registration expenditure for Ellavie accounted for $0.3 million.

Employee benefits expense, before the capitalisation of development costs, increased to $5.1 million (2008: $4.9 million). Excluding the non-cash employee share options expense, which increased to $0.8 million from $0.6 million, employee benefits expense before the capitalisation of development costs remained unchanged from the prior financial year.

Professional fees for the period totaled $3.4 million, compared with $0.7 million in the prior financial year. The increase was due to expenses associated with action taken to enforce the contractual performance obligations of Vivus Inc. under the Development and Commercialisation Agreement relating to the testosterone spray for women (branded Luramist™ by Vivus). An independent arbitration panel convened by the Judicial Arbitration and Mediation Service (JAMS) in California conducted a hearing in January 2009 and the panel issued two interim rulings in April and June. The panel determined that no further delays by Vivus are justified and, as proposed by Acrux, set a new outside date of 1 April 2010 by which Vivus must start the first Phase 3 trial. The panel will keep jurisdiction over the matter until at least 1 April 2010.

Cash flow

Net cash outflow before new share capital was $19.7 million (2008: $7.1 million), the expected increase in cash outflow reflecting the substantial investment in the Phase 3 development of AXIRON over the period. There was a small cash inflow from the exercise of employee share options, compared with the prior financial year that included a net inflow of $24.3 million from new capital to fund the Phase 3 development of AXIRON.

Contributed Equity

The small increase of $0.1 million in Contributed Equity from the prior financial year was the result of the exercise of employee share options (2008: $2.0 million). In the 2007/08 financial year a Share Placement and Share Purchase Plan raised $23.0 million of new capital before expenses of $0.7 million, to fund the AXIRON Phase 3 development.

At the annual general meeting in November 2008, shareholders approved the cancellation of 2,692,495 employee share options issued to the Chief Executive Officer and Managing Director, Dr Richard Treagus, which were due to expire on 5 July 2009, and the grant to Dr Treagus of the same number of options expiring on 5 July 2011. All other terms of the options, including the exercise price of 90 cents per share, were unchanged.

The number of employee share options on issue at the end of the reporting period was 7.1 million (2008: 7.4 million), representing 4.4% of the issued share capital. These options have exercise prices between 51 cents and $1.84 per share.

Key events

- August 2008 – Acrux and KV Pharmaceutical Company enter into an agreement, allowing Acrux access to Evamist US product registration data for commercialisation of Ellavie in rest of world.
- August 2008 – Acrux signs commercial manufacturing alliance for AXIRON with Orion Corporation in Finland.
- August 2008 – Following the acquisition of Acrux's licensee Organon, Schering-Plough discontinues two early-stage product development collaborations.
- December 2008 – First submission of an Ellavie marketing application in Europe by Acrux, to the Medical Products Agency in Sweden.
- December 2008 – Elanco, a division of Eli Lilly and Company, submits marketing application to the FDA for the first animal health product under its product development agreement with Acrux.
- February 2009 – Positive results from clinical trials of Nestorone MDTS, Acrux's unique contraceptive skin spray.
- March 2009 – Completion of enrolment of 150 hypogonadal men into Acrux's Phase 3 trial of AXIRON.
- April 2009 – Acrux receives interim arbitration ruling in relation to its dispute with US licensee, Vivus Inc., relating to Acrux's testosterone spray for women (branded Luramist by Vivus). The parties were required to meet within 30 days of the ruling to set an outside date by which Vivus must start the first Phase 3 study of Luramist.
- June 2009 – Acrux receives further interim ruling from the Luramist arbitration panel, following the failure of the parties to agree on the outside date for the start of the Phase 3 trial. The panel set the outside date as 1 April 2010, the date proposed by Acrux.
- June 2009 – Acrux signs Ellavie distribution agreements with:
  - Aspen Pharmacare for Southern Africa
  - Vifor Pharma for Switzerland
  - Dream Pharma for South Korea
- July 2009 – Completion of Phase 3 trial of AXIRON, with results expected to be available in September 2009.

Significant Changes in the State of Affairs

During the year as expected material progress was made towards the commercialisation of AXIRON. Acrux completed on schedule both the international Phase 3 clinical trial and the transfer of the manufacturing process to the commercial manufacturing site at Orion Corporation in Finland.

After Balance Date Events

There has been no matter or circumstance, which has arisen since 30 June 2009 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2009, of the consolidated entity, or

(b) the results of those operations, or the state of affairs, in financial years subsequent to 30 June 2009, of the consolidated entity.

Likely Developments

The Company will continue to pursue its operating strategy to create shareholder value. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

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

Laboratory Waste

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

Trade Water Waste

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

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

Dividend Paid, Recommended and Declared

No dividends have been paid, declared or recommended since the start of the financial year.

Shares Under Option

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

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
20 April 2005	10,000	69.0c	April 2010
25 August 2005	150,000	77.0c	August 2010
19 April 2006	518,000	79.0c	April 2011
24 November 2008	2,692,495	90.0c	July 2011
1 September 2006	100,000	94.0c	September 2011
27 March 2007	30,000	$1.57	March 2012
30 August 2007	3,000,000	$1.84	August 2012
4 March 2008	300,000	$1.84	March 2013
26 February 2009	268,000	51.0c	February 2014
20 April 2009	18,000	77.0c	April 2014
	7,086,495		

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

Shares Issued On Exercise of Options

Ordinary shares of Acrux Limited issued during or since the end of the financial year as a result of the exercise of an option were as follows:

Date issued	Shares issued Number	Amount paid per share $
11 August 2008	15,000	0.850
25 August 2008	1,000	0.790
5 September 2008	15,000	0.850
10 September 2008	30,000	0.850
12 September 2008	8,500	0.850
23 September 2008	21,500	0.850
17 August 2009	35,000	0.790
Total	**126,000**	

There are no amounts unpaid on shares issued as a consequence of the exercise of options.

Indemnification and Insurance of Directors and Officers

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

Proceedings on Behalf of the Consolidated Entity

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

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were as follows:

	Directors' Meetings		Committee Meetings			
			Audit & Risk		Human Capital	
Directors	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R Dobinson	11	10	2	2	2	2
H K Windle	11	11	2	2	2	2
B C Finnin	11	11	2	2	2	2
R Treagus	11	11	-	-	-	-

Directors' and Executives' Interests in Shares and Options

Directors' and Executives' relevant interests in shares of Acrux Limited and options over shares in the Company as at 30 June 2009 are detailed below.

	Total No. of Shares	Total No. of Options
Directors		
R Dobinson	3,355,866	-
H K Windle	678,000	-
B C Finnin	3,370,356	-
R Treagus	110,000	3,992,495
Executives		
J Pilcher	314,500	513,000
A Watkinson	-	525,000
N Wilkins	6,000	383,000
H Alsop	-	350,000
R Cull	92,000	250,000
C Blower	-	250,000
T Soulis	-	250,000
Total	**7,926,722**	**6,513,495**

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 24 to the financial statements.

Auditor's Independence Declaration

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

Non-Audit Services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:	2009 $	2008 $
Other assurance services	27,800	23,010

REMUNERATION REPORT

Human Capital Committee

The human capital committee carries out the following functions in relation to the remuneration of senior management:

(a) recommending to the board a policy and framework for senior employees' remuneration which should aim to set remuneration which:

  (i) is competitive, fair and designed to attract employees of high quality, experience and integrity;

  (ii) motivates senior employees to pursue the long term growth and success of the Company within the appropriate control framework; and

  (iii) establishes a clear relationship between the performance of senior management and their remuneration;

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

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

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

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

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

Remuneration Policy

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

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

Remuneration Structure

The remuneration of employees is structured in two parts:

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

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

The aim of both the short term and long term incentive plans is to drive performance to successfully implement annual business plans and to increase shareholder value.

Business Objectives

Each financial year the board, in conjunction with senior management, sets the business objectives aimed to be achieved during the year to implement the Company's business plan. The objectives are segmented into various business areas relevant to the business plan. Stretch targets beyond the business objectives are set at the same time.

Short Term Incentive Plan

The purpose of the short term incentive plan is to reward achievement of business objectives on a year by year basis. There are different levels of short term incentive plan, with senior executives, other than the CEO, able to achieve annual incentives up to 24% of fixed remuneration.

The key principles of the plan are:

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

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

Long Term Incentive Plans

The purpose of the long term incentive plans are to align the interests of the senior executives more closely with those of the shareholders to achieve long term sustained superior performance. There are two plans currently in place: an Employee Share Option Plan and an individual plan in respect of the Chief Executive Officer.

The key principles of the Employee Share Option Plan are:

- At the discretion of the board, options to acquire shares in the Company may be granted to employees;
- The options may not be exercised for two years after grant and expire five years after grant;
- On termination of employment, options lapse other than in certain exceptional circumstances;
- The exercise price is at the discretion of the board, but has typically been set at a 15% premium to the market price of the Company's shares on the grant date; and
- The number of options outstanding and exercised in the previous five years must not exceed 10% of the Company's issued share capital.

Options have also been granted under the employment contract of the Chief Executive Officer. The terms of these options are set out on page 27 of the Directors' Report.

The board has also approved an Employee Share Purchase Plan. Under this plan, for every four shares in the Company purchased by an eligible employee, the Company will provide one free share up to a maximum value of $1,000 per financial year. The Company will also pay brokerage costs associated with the share purchases. At the date of this report, an offer under the plan has not yet been made.

Remuneration and Termination of the Chief Executive Officer and Senior Management

The Chief Executive Officer and Managing Director, Dr Richard Treagus, is employed under an employment contract which may be terminated by either party by giving three months notice in writing. If the Company terminates the contract, Dr Treagus is entitled to a termination payment on expiry of the notice period equal to three months' fixed remuneration. Dr Treagus' remuneration comprises fixed remuneration, an annual short term incentive of up to 60% of his fixed remuneration and equity-based remuneration in the form of options. The level of short term incentive payable is dependent on the achievement of objectives, set by the board. The board has absolute discretion over the level of bonus payable.

On 5 July 2006, under the terms of the CEO's employment contract, 2,692,495 options representing 2% of the issued Share Capital at the date of the contract were granted to the CEO, at an exercise price of 90 cents. The closing share price on the grant date was 75 cents. These options were due to expire after 3 years on 5 July 2009. All other options granted to date under the employee share option plan expire after 5 years. On 24 November 2008, shareholders passed a resolution at the annual general meeting to approve cancellation of these options and the grant of 2,692,495 options exercisable at any time up to 5 July 2011, with the remaining terms unchanged. The closing share price on the grant date and on the date of the annual general meeting was 75 cents and 49.5 cents respectively. The options hold no participation rights, but shares issued on exercise of the options rank equally with existing shares. All unexercised options become exercisable if a takeover bid is made and the board becomes aware that the offeror has more than 20% of the issued shares.

Other senior executives have no fixed term of employment and either party may terminate the employment contract on periods of written notice of six months (J. Pilcher and A. Watkinson), three months (N. Wilkins and C. Blower), or one month (H. Alsop, R. Cull and T. Soulis).

Other than statutory and contractual entitlements, no termination benefits are payable to senior executives on termination of employment.

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

Executives	Position
J Pilcher	Chief Financial Officer and Company Secretary
A Watkinson	Chief Scientific Officer
N Wilkins	Director of Business Development
H Alsop	Director of Business Development
R Cull	Director of Regulatory Affairs and Quality
C Blower	Director of Product Development and Technical Affairs
T Soulis	Director of Clinical Development

Share Options

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

Options over unissued ordinary shares granted by Acrux Limited, or vested, during or since the financial year to Directors and Executives as part of their remuneration were as follows:

					Terms and conditions for each		
	Vested Number	Granted Number	Grant Date	Value per option at grant date	Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
R Treagus[1]	2,692,495	2,692,495	24/11/08	0.06	0.900	24/11/08	5/07/11
Executives							
J Pilcher[2]	-	113,000	26/02/09	0.18	0.510	26/02/11	26/02/14
N Wilkins[2]	-	38,000	26/02/09	0.18	0.510	26/02/11	26/02/14
H Alsop	100,000	-	1/09/06	0.21	0.940	1/09/08	1/09/11
Total	**2,792,495**	**2,843,495**					

[1] *Options expire on 5 July 2011. Exercise price was 80% greater than the closing market price at date of grant.*

[2] *Options become exerciseable 2 years after grant and expire 5 years after grant. Exercise price was 15% greater than the closing market price at date of grant. These options were granted to replace lapsed options.*

(b) Shares issued on exercise of compensation options

Shares issued on exercise of compensation options during or since the end of the financial year by Directors and Executives were as follows:

	Shares issued Number	Amount paid per share $	Amount unpaid per share $
Executives			
J Pilcher	60,000	0.850	-

For the purposes of disclosure of Executives' remuneration in the table below, options historically granted to Executives have been valued as required by AASB 2. A value on grant date has been estimated using a binomial valuation model, which requires assumptions to be made regarding the market price of Acrux Limited shares on the grant date and the expected volatility of the share price. The resulting value has been evenly recognised over the vesting period of the options, as required by the Standard.

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

	Primary		Post employment	Equity	Total	Equity as % of Total	Bonus as % of Total
2009	**Salary** $	**Bonus*** $	**Super** $	**Options** $	$	%	%
J Pilcher	193,854	13,167	13,744	58,671	279,436	21%	5%
A Watkinson	175,022	12,238	19,745	46,037	253,042	18%	5%
N Wilkins	143,223	10,137	13,744	47,189	214,293	22%	5%
H Alsop	171,140	11,624	13,744	47,887	244,395	20%	5%
R Cull	155,751	10,782	13,744	46,037	226,314	20%	5%
C Blower	150,245	8,040	16,144	18,638	193,067	10%	4%
T Soulis	134,933	9,037	12,957	46,037	202,964	23%	4%
	1,124,168	**75,025**	**103,822**	**310,496**	**1,613,511**	**19%**	**5%**
2008							
J Pilcher	182,882	24,728	13,129	55,997	276,736	20%	9%
A Watkinson	163,974	22,982	19,129	52,888	258,973	20%	9%
N Wilkins	140,800	18,432	12,786	46,828	218,846	21%	8%
H Alsop	161,453	19,788	13,129	49,219	243,589	20%	8%
R Cull	129,762	15,478	33,129	38,469	216,838	18%	7%
C Blower[1]	106,271	-	15,450	6,025	127,746	5%	0%
T Soulis[2]	125,519	13,855	11,642	38,469	189,485	20%	7%
	1,010,661	**115,263**	**118,394**	**287,895**	**1,532,213**	**19%**	**8%**

** Bonus relates to achievement of objectives for prior financial year. The amount of bonus paid was 30% of the maximum amount payable in respect of the financial year ended 30 June 2008 and 60% of the maximum payable in respect of the financial year ending 30 June 2007.*

[1] Appointed Director of Product Development and Technical Affairs September 2007.

[2] Appointed Director of Clinical Development September 2007.

REMUNERATION REPORT

Remuneration of Non-executive Directors

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

The present directors' fees are $65,400 per annum, including superannuation for each non-executive director other than the chair who receives $98,100 per annum. At the 2004 Annual General Meeting shareholders set the maximum aggregate amount of non-executive directors' fees at $450,000. In addition non-executive directors are entitled to re-imbursement of reasonable expenses incurred by them.

No retirement allowances are paid to non-executive directors. No equity based remuneration is paid to non-executive directors. Non-Executive Directors do not receive any additional remuneration for being members of board committees.

For the purposes of disclosure of Directors' remuneration in the table below, options granted to Directors have been valued as required by AASB 2. A value on grant date has been estimated using a binomial valuation model, which requires assumptions to be made regarding the market price of Acrux Limited shares on the grant date and the expected volatility of the share price. The resulting value has been evenly recognised over the vesting period of the options, as required by the Standard.

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

	Primary		Post employment	Equity	Total	Equity as % of Total	Bonus as % of Total
2009	Salary/ Director's fees $	Bonus* $	Super $	Options $	$	%	%
R Dobinson	98,100	-	-	-	98,100	0%	0%
H K Windle	20,000	-	45,400	-	65,400	0%	0%
B C Finnin	60,000	-	5,400	-	65,400	0%	0%
R Treagus	341,249	94,500	33,750	400,942	870,441	46%	11%
	519,349	**94,500**	**84,550**	**400,942**	**1,099,341**	**36%**	**9%**
2008							
R Dobinson	98,100	-	-	-	98,100	0%	0%
H K Windle	60,000	-	5,400	-	65,400	0%	0%
B C Finnin	60,000	-	5,400	-	65,400	0%	0%
R Treagus	286,798	162,000	29,296	204,680	682,774	30%	24%
Past Directors							
P Gillooly[1]	25,000	-	2,250	-	27,250	0%	0%
	529,898	**162,000**	**42,346**	**204,680**	**938,924**	**22%**	**17%**

** Bonus relates to achievement of objectives for prior financial year. The amount of bonus paid was 42% of the maximum amount payable in respect of the financial year ended 30 June 2008 and 90% of the maximum payable in respect of the financial year ending 30 June 2007.*

[1] Resigned as Director on 14 November 2007.

Number of options held by Key Management Personnel

Directors and Executives	Balance 01/07/2008	Granted as Remuneration	Exercised	Lapsed	Balance 30/06/2009	Total Vested & Exercisable 30/06/2009	Total Unexercisable 30/06/2009
Directors							
R Dobinson	14,583	-	-	(14,583)	-	-	-
H K Windle	14,583	-	-	(14,583)	-	-	-
B C Finnin	14,583	-	-	(14,583)	-	-	-
R Treagus	3,992,495	2,692,495	-	(2,692,495)	3,992,495	2,692,495	1,300,000
Executives							
J Pilcher	573,000	113,000	(60,000)	(113,000)	513,000	100,000	413,000
A Watkinson	525,000	-	-	-	525,000	275,000	250,000
N Wilkins	383,000	38,000	-	(38,000)	383,000	95,000	288,000
H Alsop	350,000	-	-	-	350,000	100,000	250,000
R Cull	250,000	-	-	-	250,000	-	250,000
C Blower	250,000	-	-	-	250,000	-	250,000
T Soulis	250,000	-	-	-	250,000	-	250,000
Total	**6,617,244**	**2,843,495**	**(60,000)**	**(2,887,244)**	**6,513,495**	**3,262,495**	**3,251,000**

REMUNERATION REPORT

Value of options held by Key Management Personnel

Directors and Executives	Balance 01/07/2008 $	Value Granted $	Value Exercised $	Value Lapsed $	Balance 30/06/2009 $
Directors					
R Dobinson	4,885	-	-	(4,885)	-
H K Windle	4,885	-	-	(4,885)	-
B C Finnin	4,885	-	-	(4,885)	-
R Treagus	818,156	161,550	-	(338,716)	640,990
Executives					
J Pilcher	184,927	20,171	(11,982)	(37,855)	155,261
A Watkinson	150,483	-	-	-	150,483
N Wilkins	127,891	6,783	-	(12,730)	121,944
H Alsop	113,670	-	-	-	113,670
R Cull	92,200	-	-	-	92,200
C Blower	37,275	-	-	-	37,275
T Soulis	92,200	-	-	-	92,200
Total	**1,631,457**	**188,504**	**(11,982)**	**(403,956)**	**1,404,023**

[1] *Options exercised during the year were issued prior to 7 November 2002 and were not required to be valued under transitional arrangements for first time adoption of AIFRS.*

Number of shares held by Key Management Personnel

Directors and Executives	Balance 01/07/2008	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2009
Directors					
R Dobinson	3,355,866	-	-	-	3,355,866
H K Windle	678,000	-	-	-	678,000
B C Finnin	3,573,606	-	-	(203,250)	3,370,356
R Treagus	110,000	-	-	-	110,000
Executives					
J Pilcher	306,000	-	60,000	(51,500)	314,500
A Watkinson	-	-	-	-	-
N Wilkins	-	-	-	3,000	3,000
H Alsop	-	-	-	-	-
R Cull	92,000	-	-	-	92,000
C Blower	-	-	-	-	-
T Soulis	-	-	-	-	-
Total	**8,115,472**	-	**60,000**	**(251,750)**	**7,923,722**

Rounding of Amounts

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

Signed in accordance with a resolution of the directors.

R Dobinson
Chairman
Melbourne

Dated this 26th day of August 2009

B C Finnin
Director
Melbourne

Dated this 26th day of August 2009

AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of Acrux Limited

In relation to the independent audit for the year ended 30 June 2009, to the best of my knowledge and belief there have been:

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

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

S D Whitchurch
Partner
Dated this 26th day of August 2009

PITCHER PARTNERS
Melbourne Partner

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

CONSOLIDATED INCOME STATEMENT

	Notes	Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue	4	3,511	7,049	2,190	3,165
Employee benefits expense	5	(3,990)	(4,421)	(1,263)	(1,040)
External research and development expenses	5	(1,581)	(3,743)	-	-
Depreciation and amortisation expenses	5	(599)	(486)	-	-
Foreign exchange losses	5	-	(433)	(184)	-
Non-executive director's fees		(229)	(257)	(229)	(257)
Professional fees		(3,379)	(665)	(313)	(300)
Licensing fees		(15)	(476)	-	-
Travel and accommodation expenses		(107)	(173)	(11)	(8)
Advertising and marketing expenses		(92)	(128)	(43)	(79)
Insurance expenses		(155)	(172)	(47)	(47)
Occupancy and lease expenses		(359)	(348)	-	-
Other expenses		(718)	(528)	(40)	(42)
		(11,224)	(11,830)	(2,130)	(1,773)
PROFIT/(LOSS) BEFORE INCOME TAX		(7,713)	(4,781)	60	1,392
Income tax expense	6	(3)	(245)	-	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		(7,716)	(5,026)	60	1,392
NET PROFIT/(LOSS) FOR THE YEAR		(7,716)	(5,026)	60	1,392
LOSS ATTRIBUTABLE TO MINORITY INTEREST	17	-	-	-	-
PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF ACRUX LIMITED	**16**	**(7,716)**	**(5,026)**	**60**	**1,392**
Basic earnings per share (cents per share)	20	(4.84)	(3.20)		
Diluted earnings per share (cents per share)	20	(4.84)	(3.20)		

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

CONSOLIDATED BALANCE SHEET

	Notes	Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
CURRENT ASSETS					
Cash and cash equivalents	7	14,736	34,366	11,548	30,373
Receivables	8	611	624	16,369	15,026
TOTAL CURRENT ASSETS		15,347	34,990	27,917	45,399
NON-CURRENT ASSETS					
Deferred tax assets	9	253	253	-	-
Other financial assets	10	-	-	59,436	41,027
Plant and equipment	11	1,772	912	-	-
Intangible assets	12	17,578	5,112	-	-
TOTAL NON-CURRENT ASSETS		19,603	6,277	59,436	41,027
TOTAL ASSETS		34,950	41,267	87,353	86,426
CURRENT LIABILITIES					
Payables	13	3,367	2,827	271	255
Provisions	14	314	247	45	30
TOTAL CURRENT LIABILITIES		3,681	3,074	316	285
NON-CURRENT LIABILITIES					
Provisions	14	46	84	7	1
TOTAL NON-CURRENT LIABILITIES		46	84	7	1
TOTAL LIABILITIES		3,727	3,158	323	286
NET ASSETS		**31,223**	**38,109**	**87,030**	**86,140**
EQUITY					
Contributed equity	15	83,211	83,135	83,211	83,135
Reserves	16 (a)	1,953	1,570	1,953	1,570
Accumulated profit/(losses)	16 (b)	(53,941)	(46,596)	1,866	1,435
Parent entity interest		31,223	38,109	87,030	86,140
Minority interest	17	-	-	-	-
TOTAL EQUITY		**31,223**	**38,109**	**87,030**	**86,140**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
TOTAL EQUITY AT THE BEGINNING OF THE YEAR		**38,109**	**18,246**	**86,140**	**59,859**
Employee share options	16 (a)	754	567	754	567
NET INCOME DIRECTLY RECOGNISED IN EQUITY		754	567	754	567
Profit/(Loss) for the year after tax		(7,716)	(5,026)	60	1,392
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD		**(6,962)**	**(4,459)**	**814**	**1,959**
Attributable to:					
Members of Acrux Limited		(6,962)	(4,459)	814	1,959
Minority interest		-	-	-	-
		(6,962)	**(4,459)**	**814**	**1,959**
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:					
Contributions	15 (b)	76	24,322	76	24,322
TOTAL EQUITY AT THE END OF THE YEAR		**31,223**	**38,109**	**87,030**	**86,140**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts		1,218	5,592	40	87
Payments to suppliers and employees		(8,766)	(10,543)	(1,257)	(1,165)
Interest received		1,770	2,425	1,666	2,281
Foreign withholding tax paid		(3)	(187)	-	-
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	18 (a)	(5,781)	(2,713)	449	1,203
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for investments		-	-	(18,409)	(9,000)
Purchase of plant and equipment		(1,267)	(276)	-	-
Payment for capitalised development costs		(12,658)	(4,194)	-	-
Payments for related party loans		-	-	(941)	(2,760)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(13,925)	(4,470)	(19,350)	(11,760)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from issues of ordinary shares		76	24,322	76	24,322
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		76	24,322	76	24,322
NET INCREASE/(DECREASE) IN CASH HELD		(19,630)	17,139	(18,825)	13,765
Add cash at the beginning of the year		34,366	17,227	30,373	16,608
CASH AT END OF YEAR	**18 (b)**	**14,736**	**34,366**	**11,548**	**30,373**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

NOTE 1: BASIS OF PRESENTATION

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

The financial report covers Acrux Limited as an individual parent entity and Acrux Limited and controlled entities as a consolidated entity. Acrux Limited is a company limited by shares, incorporated and domiciled in Australia.

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

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

(a) Basis of Presentation of the Financial Report

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

Historical Cost Convention

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

(b) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Acrux Limited controlled during the year and at balance date. Details of the controlled entities are contained in Note 27.

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

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

Minority interests in the equity and results of the entities that are controlled are shown separately in the consolidated financial report.

(c) Revenue Recognition

Interest revenue is recognised when receivable.

Revenue from product agreements is made up of revenue relating to events and revenue relating to product sales. Revenue relating to events is recognised upon completion of the event, which is the trigger point for the right to receive the revenue. Revenue relating to product sales is recognised in the period in which the sales occur.

Revenue from the receipt of contracted grants is recognised in the period the monies associated with the grants are expensed.

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

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

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks.

(e) Plant and Equipment

Cost

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

Depreciation

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

The useful lives for each class of assets are:

	2009	2008
Leasehold improvements:	1.6 to 8 years	2.2 to 8 years
Plant and equipment:	2.5 to 14 years	2.5 to 14 years

(f) Leases

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Operating Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

NOTE 1: BASIS OF PRESENTATION (continued)

(g) Intangibles

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

Intellectual Property

Acquired intellectual property is initially recorded at cost. Intellectual property with a finite life is carried at cost less any accumulated amortisation and any impairment losses. The intellectual property is amortised over the useful life of the relevant patents.

Research and Development

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

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

Capitalised development costs have a finite life and are amortised over the period from first commercial sale of the product to the date on which economic benefits to Acrux cease.

(h) Impairment of assets

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

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

(i) Taxes

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

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

(j) Employee Benefits

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

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

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

Share-based payments

The group operates an employee share option plan and an employee share scheme. The bonus element over the exercise price for the grant of shares and options is recognised as an expense in the Income Statement in the period(s) during which the employee becomes entitled to exercise the options.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. The fair value of options at grant date is determined using a Binomial option pricing model, and is recognised as an

employee expense over the period during which the employees become entitled to the option.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an expense when the employees become entitled to the shares.

(k) Comparatives

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

(l) Financial Instruments

Financial Assets

Trade receivables are carried at full amounts due less any provision for impairment. A provision for impairment is recognised when collection of the full amount is no longer probable. Amounts receivable from other debtors are carried at full amounts due. Other debtors are normally settled 30 days from month end unless there is a specific contract, which specifies an alternative date. Amounts receivable from related parties are carried at full amounts due.

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

Financial Liabilities

Financial liabilities include trade payables, other creditors and inter-company balances.

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

(m) Foreign Currencies

Functional and Presentation Currency

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and Balances

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

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

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(n) Goods and Services Tax (GST)

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

Receivables and payables in the balance sheet are shown inclusive of GST.

(o) Rounding Amounts

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

(p) New Accounting Standards and Interpretations

The Directors have elected to early adopt the provisions of accounting standard AASB 8 Operating Segments, which will replace accounting standard AASB14 Segment Reporting. The provisions of the new standard become mandatory for reporting periods that commence after January 2009.

A number of other accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not assessed the impact of these standards or interpretations.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Income Taxes

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

(b) Impairment Testing

The Company uses a discounted cash flow model to determine that the Parent Entity's investments in and loans to its subsidiaries, and the capitalised development costs in the consolidated entity, are not being carried at a value that is materially in excess of recoverable value. The model values each product being developed by the subsidiary by estimating future cashflows and discounting the future net cash flows for the probability of successful commercialisation and for the time value of money, using a 16% cost of capital. Revenue from a product is estimated using current market data and projections of market growth and potential market share.

(c) Employee Benefits

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

(d) Share Based Payments

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

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The consolidated entity is exposed to a variety of financial risks comprising:

(a) Credit Risk
(b) Liquidity Risk
(c) Interest Rate Risk
(d) Currency Risk
(e) Net Fair Values

The board of directors has overall responsibility for identifying and managing operational and financial risks.

(a) Credit Risk

The majority of the consolidated entity's cash reserves are held by the parent entity. Acrux Limited is a Pooled Development Fund. The Pooled Development Fund Act restricts the investment of cash reserves to deposits with an Australian bank.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

(b) Liquidity Risk

The financial liabilities of the consolidated entity at the balance date are all expected to mature within three months of the balance date. The consolidated entity has sufficient cash reserves, $14,736,302 (2008: $34,366,145) to settle these liabilities and to fund operations for the foreseeable future. The consolidated entity does not have an overdraft or loan facility.

NOTE 3: FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

(c) Interest Rate Risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments		Floating interest rate		Fixed interest rate maturing in 1 year or less		Non interest bearing		Total carrying amount as per the Balance Sheet		Weighted average effective interest rate	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 %	2008 %
(i)	*Financial assets*										
	Cash	2,296	416	12,437	33,947	3	3	14,736	34,366	3.7	7.4
	Receivables	-	-	-	-	611	624	611	624		
	Total financial assets	2,296	416	12,437	33,947	614	627	15,347	34,990		
(ii)	*Financial liabilities*										
	Trade creditors	-	-	-	-	1,089	642	1,089	642		
	Sundry creditors and accruals	-	-	-	-	2,278	2,185	2,278	2,185		
	Total financial liabilities	-	-	-	-	**3,367**	**2,827**	**3,367**	**2,827**		

The financial liabilities of the consolidated entity are all expected to mature within three months of the reporting date.

Sensitivity Analysis

A reasonably possible change in the average effective interest rate during the reporting period of 1% would have changed the interest income, net loss and equity of the consolidated entity by approximately $0.3 million.

(d) Currency Risk

During the reporting period, exchange rate risk was managed by monitoring the natural hedge position. Revenues and cash reserves denominated in US dollars and Euros are used to fund US dollar and Euro expenditure, supplemented where necessary by spot and short-term forward purchases of US dollars and Euros. Currency risk management strategies are regularly reviewed.

During the reporting period, the Consolidated Entity incurred external development and licensing expenditures of approximately $12.6 million denominated in US dollars and approximately $1.9m denominated in Euros, of which $11.2 million was capitalised. At the start of the reporting period, consolidated cash reserves included $3.4 million denominated in US dollars and during the reporting period revenue of $0.2 million, denominated in US dollars, was earned by the Consolidated Entity.

A change of 10% in the AUD/USD and AUD/Euro exchange rates at 30 June 2009 would not have had a material impact on the fair value of the consolidated entity's assets and liabilities.

A change of 10% in the average AUD/USD and AUD/Euro exchange rates during the reporting period would not have had a material impact on the net loss of the consolidated entity, but would have changed the capitalised development expenditure and the consolidated net equity by approximately $1.2 million.

In future periods, material amounts of product revenue and external development expenditure are expected to be received and incurred denominated in US dollars and in Euros. The majority of future expenditure denominated in US dollars and in Euros will be incurred on the remaining Phase 3 development of AXIRON™. Expenditure on this programme is expected to include approximately $2.1 million denominated in US dollars and approximately $2.6 million denominated in Euros. Cash reserves at 30 June 2009 included $0.9 million denominated in US dollars and $0.6 million denominated in Euros. A change in the AUD/USD and AUD/Euro exchange rates of 10% would change the Australian dollar equivalent of future expenditure by approximately $0.4 million.

(e) Net Fair Values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the balance sheet and notes to the financial statements.

NOTE 4: REVENUE

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenues from operating activities				
Revenue from product agreements	650	3,841		
Grant revenue	673	655	-	-
Total revenues from operating activities	1,323	4,496	-	-
Revenues from non-operating activities				
Foreign exchange gain	608	-	-	25
Management fees and intra-group services	-	-	221	151
Interest				
Wholly owned entities	-	-	489	578
Other corporations	1,580	2,553	1,480	2,411
Total interest	1,580	2,553	1,969	2,989
Total revenues from non-operating activities	2,188	2,553	2,190	3,165
Total revenues from continuing operations	**3,511**	**7,049**	**2,190**	**3,165**

NOTE 5: PROFIT FROM CONTINUING OPERATIONS

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit/(loss) from continuing operations before income tax has been determined after the following specific expenses:				
Employee benefits expense				
Wages and salaries	4,026	3,978	493	459
Workers' compensation costs	16	16	2	1
Superannuation costs	310	295	14	13
Training expenses	12	33	-	-
Share-based payments	754	567	754	567
Total employee benefits expense	5,118	4,889	1,263	1,040
Capitalised – refer Note 12	(1,128)	(468)	-	-
Per income statement	3,990	4,421	1,263	1,040
Depreciation of non-current assets				
Plant and equipment	228	241	-	-
Total depreciation of non-current assets	228	241	-	-
Amortisation of non-current assets				
Leasehold improvements	179	175	-	-
Intellectual property	192	70	-	-
Total amortisation of non-current assets	371	245	-	-
Total depreciation and amortisation expenses	599	486	-	-
Foreign currency exchange losses	-	433	184	-
Rental expense on operating leases	241	233	-	-
External research and development expenses	12,716	7,215	-	-
Capitalised – refer Note 12	(11,135)	(3,472)	-	-
Per income statement	1,581	3,743	-	-

NOTE 6: INCOME TAX

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The prima facie tax, using tax rates applicable in the country of operation, on profit differs from the income tax provided in the financial statements as follows:				
Profit/(loss) before tax from continuing operations	(7,713)	(4,781)	60	1,392
At the statutory income tax rate of 30% (2008: 30%)	(2,314)	(1,434)	18	418
Tax effect of amounts which are not deductible in calculating taxable income, or which are deductable but are not included in the loss before tax:				
Share option expense	226	170	226	170
Research and development tax concession	(411)	(520)	-	-
Capitalised development expenses	(3,797)	(1,258)	-	-
Tax deductable attributable to equity	-	(194)	-	(194)
Foreign tax credits written off	3	245	-	-
Increase/(decrease) in deferred tax assets not brought to account	6,296	3,236	(244)	(394)
Income tax expense	3	245	-	-
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductability, set out in Note (i) below, are met:				
Deferred tax asset - Timing differences	1,628	2,332	252	334
Deferred tax asset - Unrecognised tax losses	23,345	16,382	75	241
	24,973	18,714	327	575
(i) Deferred tax relates to the following:				
Tax Assets				
Carrying amount at beginning	253	311	-	-
Foreign tax withheld on licensing income	-	187	-	-
Foreign tax credits written off	-	(245)	-	-
	253	253	-	-

The deferred tax assets not brought to account, will only be realised if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Acrux Limited is a Pooled Development Fund (PDF) and tax concessions apply for PDF's including:

— PDF's are taxed at 15% on income and gains from investments in small to medium enterprises instead of the normal 30% corporate tax rate; and

— PDF's are taxed at 25% on other income.

For the purpose of the preparation of these financial statements, the above tax calculations have been calculated at 30% for the consolidated entity, which is the company tax rate applicable to the subsidiary companies.

NOTE 7: CASH AND CASH EQUIVALENTS

	Notes	Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash on hand		3	3		-
Cash at bank		2,296	416	413	54
Deposits at call		12,437	33,947	11,135	30,319
		14,736	**34,366**	**11,548**	**30,373**

NOTE 8: RECEIVABLES

CURRENT					
Trade receivables		260	5	-	-
Other receivables		214	432	30	217
Prepayments		137	187	40	41
Related party receivables					
- Controlled entities	27	-	-	16,299	14,768
		611	**624**	**16,369**	**15,026**

The amounts receivable by the parent entity from controlled entities exceed the net tangible assets of those entities. However, the Directors believe that the receivables are not materially impaired, due to the substantial progress in the technical and commercial development of the controlled entities' products.

NOTE 9: DEFERRED TAX ASSETS

NON-CURRENT					
Tax assets comprise:					
Foreign withholding taxes paid	6	253	253	-	-
		253	**253**	-	-

NOTE 10: OTHER FINANCIAL ASSETS

NON-CURRENT					
Investments at cost comprise:					
Shares					
– Controlled entities - unlisted		-	-	59,436	41,027
		-	-	**59,436**	**41,027**

The investments by the parent entity in controlled entities exceed the net tangible assets of those entities. However, the Directors believe the investments are not materially impaired, due to the substantial progress in the technical and commercial development of the controlled entities' products.

NOTE 11: PLANT AND EQUIPMENT

	Notes	Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Leasehold improvements					
At cost		1,113	1,106	-	-
Accumulated amortisation		(932)	(753)	-	-
Total leasehold improvements	(a)	181	353	-	-
Plant and equipment					
At cost		2,119	1,000	-	-
Accumulated depreciation		(528)	(441)	-	-
Total plant and equipment	(a)	1,591	559	-	-
Total plant and equipment		**1,772**	**912**	-	-

(a) Reconciliations

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

	Consolidated Entity	
	2009 $'000	2008 $'000
Leasehold improvements		
Carrying amount at beginning	353	525
Additions	7	3
Amortisation expense	(179)	(175)
	181	353
Plant and equipment		
Carrying amount at beginning	559	257
Additions	1,260	273
Depreciation expense	(228)	(241)
	1,591	559

NOTE 12: INTANGIBLE ASSETS

		Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
INTELLECTUAL PROPERTY					
At cost		1,200	1,200	-	-
Accumulated amortisation		(474)	(282)	-	-
Net carrying amount	(a)	726	918	-	-
CAPITALISED DEVELOPMENT					
Ellavie™					
External research and development expenses		604	289	-	-
	(a)	604	289	-	-
AXIRON™					
External research and development expenses		14,003	3,183		
Employee benefits expense		1,596	468	-	-
Other capitalised expenses		649	254	-	-
	(a)	16,248	3,905	-	-
Net carrying amount		16,852	4,194	-	-
Total intangible assets		17,578	5,112	-	-

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

	Consolidated Entity			
	2009 $'000	2008 $'000		
Intellectual property				
Carrying amount at beginning	918	989		
Amortisation expense	(192)	(71)		
	726	**918**		
Capitalised development				
Ellavie™				
Carrying amount at beginning	289	-		
Additions	315	289		
	604	**289**		
AXIRON™				
Carrying amount at beginning	3,905	-		
Additions	12,343	3,905		
			16,248	**3,905**

NOTE 13: PAYABLES

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
CURRENT				
Trade creditors	1,089	642	4	14
Sundry creditors and accruals	2,278	2,185	267	241
	3,367	**2,827**	**271**	**255**

NOTE 14: PROVISIONS

CURRENT				
Employee entitlements	314	247	45	30
NON-CURRENT				
Employee entitlements	46	84	7	1
Aggregate employee entitlements liability	360	331	52	31

NOTE 15: CONTRIBUTED EQUITY

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Issued and paid up capital				
Ordinary shares fully paid	**83,211**	**83,135**	**83,211**	**83,135**
(b) Movements in shares on issue				
Beginning of the financial year			83,135	58,813
Issued during the year:				
Capital Raising				
- 1,835,855 on the 30 November 2007				2,937
- 291,250 on the 23 August 2007				466
- 12,226,645 on the 24 July 2007				19,562
Employee share option plans				
- 21,500 on the 23 September 2008			18	
- 8,500 on the 12 September 2008			7	
- 30,000 on the 10 September 2008			25	
- 15,000 on the 5 September 2008			13	
- 1,000 on the 25 August 2008			1	
- 15,000 on the 11 August 2008			13	
- 10,000 on the 13 May 2008				8
- 21,000 on the 6 February 2008				21
- 29,167 on the 21 January 2008				35
- 16,000 on the 21 December 2007				14
- 30,000 on the 7 December 2007				30
- 439,998 on the 9 November 2007				440
- 450,000 on the 5 November 2007				450
- 13,000 on the 30 October 2007				16
- 25,000 on the 25 October 2007				25
- 20,000 on the 13 September 2007				14
- 10,000 on the 7 September 2007				7
- 25,000 on the 6 September 2007				25
- 21,000 on the 14 August 2007				21
- 21,000 on the 9 August 2007				21
- 184,282 on the 2 August 2007				157
- 40,000 on the 24 July 2007				40
- 800,000 on the 18 July 2007				680
Less Capital Raising Expenses			(1)	(647)
Contributions from share issues			76	24,322
At reporting date			**83,211**	**83,135**

NOTE 15: CONTRIBUTED EQUITY (continued)

	2009 No.	2008 No.
Beginning of the financial year	159,309,216	142,800,019
Capital Raising		
- 30 November 2007		1,835,855
- 23 August 2007		291,250
- 24 July 2007		12,226,645
Employee share option plans		
- 23 September 2008	21,500	
- 12 September 2008	8,500	
- 10 September 2008	30,000	
- 5 September 2008	15,000	
- 25 August 2008	1,000	
- 11 August 2008	15,000	
- 13 May 2008		10,000
- 6 February 2008		21,000
- 21 January 2008		29,167
- 21 December 2007		16,000
- 7 December 2007		30,000
- 9 November 2007		439,998
- 5 November 2007		450,000
- 30 October 2007		13,000
- 25 October 2007		25,000
- 13 September 2007		20,000
- 7 September 2007		10,000
- 6 September 2007		25,000
- 14 August 2007		21,000
- 9 August 2007		21,000
- 2 August 2007		184,282
- 24 July 2007		40,000
- 18 July 2007		800,000
At reporting date	**159,400,216**	**159,309,216**

NOTE 15: CONTRIBUTED EQUITY (continued)

(c) Share Options

Options over ordinary shares:

Employee share option plans

The Company continued to offer participation in long-term incentive schemes as part of the remuneration packages for the employees of the Company and its controlled entities.

There are two employee share option plans, the Employee Share Option Plan, and an option scheme under the contract of the Chief Executive Officer.

Employee Share Option Plan

The objective of the plan is to assist in the recruitment, reward, retention and motivation of key employees, which the board believes is important for the long term growth of the business. The plan rules may be amended by the board at its discretion, or as required by the ASX Listing Rules. Options hold no participation rights, but shares issued on exercise of options rank equally with existing shares. Options may not be exercised until 2 years after the grant date and expire 5 years after the grant date. The exercise price will be determined by the board, but will not be less than the market price of the shares on an exchange on the grant date. All unexercised options become exercisable if a takeover bid is made and the board becomes aware that the offeror has more than 20% of the issued shares. Options may not be granted if the number of shares issued following the exercise of all outstanding options under the plan, plus the shares issued during the previous 5 years under the plan, would exceed 10% of the total issued shares. Details of options held by directors are shown in the Remuneration Report section of the Directors' Report.

During the financial year, 306,000 options (2008: 3,450,000) were granted under the plan. Of these options, 268,000 were granted at an exercise price of $0.51 per share, while the remaining options were granted at an exercise price of $0.77. Both exercise prices represented a 15% premium to the weighted average price of Acrux shares calculated over the prior 5 trading days to the option issue date.

CEO contract

On 5 July 2006, under the terms of the CEO's employment contract, 2,692,495 options representing 2% of the issued Share Capital at the date of the contract were granted to the CEO, at an exercise price of 90 cents. The closing share price on the grant date was 75 cents. These options were due to expire after 3 years on 5 July 2009. All other options granted to date under the employee share option plan expire after 5 years. On 24 November 2008, shareholders passed a resolution at the annual general meeting to approve cancellation of these options and the grant of 2,692,495 options exercisable at any time up to 5 July 2011, with the remaining terms unchanged. The closing share price on the grant date and on the date of the annual general meeting was 75 cents and 49.5 cents respectively. The options hold no participation rights, but shares issued on exercise of the options rank equally with existing shares. All unexercised options become exercisable if a takeover bid is made and the board becomes aware that the offeror has more than 20% of the issued shares.

The closing market value of an ordinary Acrux Limited share on the Australian Stock Exchange at 30 June 2009 was $1.13.

	Consolidated Entity		Parent Entity	
	2009 No.	2008 No.	2009 No.	2008 No.
(i) Movement in the number of share options held under Employee Share Option Plan and CEO contract are as follows:				
Opening balance	7,422,244	6,216,691	7,422,244	6,216,691
Granted during the year	2,998,495	3,450,000	2,998,495	3,450,000
Exercised during the year	(91,000)	(2,155,447)	(91,000)	(2,155,447)
Lapsed during the year	(3,158,244)	(89,000)	(3,158,244)	(89,000)
Closing balance	**7,171,495**	**7,422,244**	**7,171,495**	**7,422,244**
	$'000	**$'000**	**$'000**	**$'000**
(ii) Details of share options exercised during the year:				
Proceeds from shares issued	77	2,004	77	2,004
Fair value as at issue date of shares issued during the year	98	3,226	98	3,226

(c) Share Options (continued)

Fair value of shares issued during the reporting period at their issue date is estimated to be the market price of shares of the parent entity on the Australian Stock Exchange as at close of trading on the issue dates. The fair value of shares at date of issue was:

Issue Date	Fair Value	Number of Shares Issued
23 September 2008	0.955	21,500
12 September 2008	0.950	8,500
10 September 2008	1.100	30,000
5 September 2008	1.100	15,000
25 August 2008	1.190	1,000
11 August 2008	1.250	15,000
		91,000

(iii) Details of options granted during the financial year:

			Share Option Valuation Inputs					
Grant Date	Granted Number	Value per option at grant date	Exercise Price $	Share Price at Grant $	Days to Expiration	Risk Free Rate[1] %	Expected Volatility[2] %	Expected Dividends
24/11/08	2,692,495	0.06	0.900	0.500	953	3.28%	44.00%	-
26/02/09	268,000	0.18	0.510	0.450	1,826	3.66%	45.00%	-
20/04/09	38,000	0.27	0.770	0.670	1,826	4.18%	45.00%	-
	2,998,495							

The value of each option has been calculated using a Bionomial method.

[1] Risk free rate is the Reserve Bank of Australia's cash rate at the options grant date.

[2] Volatility is calculated using the prior two years of historical movements in the Company's share price. The rate has been discounted to reflect the probability of staff remaining employed during the life of the options, based on the historical staff turnover rate.

NOTE 15: CONTRIBUTED EQUITY (continued)

(iv) Details of lapsed options

Grant Date	Granted Number	Exercise Price
1/12/03	43,749	1.200
25/02/04	268,000	1.200
19/04/04	38,000	1.200
19/04/06	46,000	0.790
5/07/06	2,692,495	0.900
30/08/07	50,000	1.840
20/04/09	20,000	0.770
	3,158,244	

(d) Capital Management

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

NOTE 16: RESERVES AND ACCUMULATED LOSSES

	Notes	Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Share based payment reserve	(a)	1,953	1,570	1,953	1,570
Accumulated profit/(losses)	(b)	(53,941)	(46,596)	1,866	1,435

(a) Share based payment reserve

(i) Nature and purpose of reserve

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

(ii) Movement in reserve

Balance at the beginning of year	1,570	1,010	1,570	1,010
Employee share option expense for the period (including adjustment for service conditions not met)	754	567	754	567
Vested employee share options previously expensed, that lapsed during the period	(371)	(7)	(371)	(7)
Balance at end of year	1,953	1,570	1,953	1,570

(b) Accumulated profit/(losses)

Balance at the beginning of year	(46,596)	(41,577)	1,435	36
Vested employee share options that lapsed during the period	371	7	371	7
Net profit/(loss) attributable to members of Acrux Limited	(7,716)	(5,026)	60	1,392
Accumulated profit/(losses) at reporting date	(53,941)	(46,596)	1,866	1,435

NOTE 17: MINORITY INTEREST IN CONTROLLED ENTITIES

	Notes	Consolidated Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Minority interest comprises:					
Contributed equity	(a)	51	51	-	-
Accumulated losses	(b)	(51)	(51)	-	-
		-	-	-	-
(a) Minority interest in issued and paid-up capital of controlled entities					
- Cosmeceutic Solutions Pty Ltd - Fully paid ordinary shares		51	51	-	-
(b) Accumulated losses					
Opening balance		(51)	(51)	-	-
- Share of operating loss attributed to the minority		-	-	-	-
Closing balance		(51)	(51)	-	-

NOTE 18: CASH FLOW INFORMATION

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations:				
Net profit/(loss)	(7,716)	(5,026)	60	1,392
Non-Cash Items				
Depreciation and amortisation	599	486	-	-
Share based payments	754	567	754	567
Inter-group charges not received in cash	-	-	(101)	(36)
Inter-group interest not received in cash	-	-	(489)	(578)
Changes in assets and liabilities				
Decrease in deferred tax assets	-	58	-	-
Decrease/(Increase) in trade and other receivables	13	167	188	(132)
(Decrease)/Increase in trade and other creditors	540	956	16	(23)
Increase in employee entitlements	29	79	21	13
	1,935	2,313	389	(189)
Net cash flow from operating activities	(5,781)	(2,713)	449	1,203
(b) Reconciliation of cash				
Cash balance comprises:				
– Cash on hand	3	3	-	-
– Cash at bank	2,296	416	413	54
– At call deposits with financial institutions	12,437	33,947	11,135	30,319
Closing cash balance	14,736	34,366	11,548	30,373

(c) Credit stand-by arrangement and loan facilities

The consolidated entity have credit card facilities with the National Australia Bank and American Express available to the extent of $161,000 (2008: $156,000). As at 30 June 2009 the consolidated entity and parent entity have unused facilities of $151,201 (2008: $147,762).

NOTE 19: COMMITMENTS

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Lease expenditure commitments				
(i) Operating leases				
Non cancellable operating leases contracted for but not capitalised in the accounts:				
Minimum lease payments				
– Not later than one year	230	242	-	-
– Later than one year and not later than five	-	230	-	-
– Aggregate lease expenditure contracted for at reporting date	230	472	-	-

The operating lease relates to office, laboratory and warehouse facilities leased by Acrux DDS Pty Ltd for a period of 4 years, with two options to extend for further periods of 4 years. Acrux DDS Pty Ltd exercised the first of these options and entered into a new lease agreement in June 2006. The lease contract contains market review clauses in the event that Acrux DDS Pty Ltd exercises its second option to renew. The company does not have an option to purchase the leased asset at the expiry of the lease period.

Capital and product development expenditure commitments

During the 2008/09 financial year Acrux Commercial Pty Ltd entered into a Technology Transfer Agreement, relating to AXIRON™. Acrux Commercial is committed to EURO 0.2 million of further expenditure under this agreement which is expected to be incurred during the 2009/10 financial year.

During the 2007/08 financial year Acrux Pharma Pty Ltd entered into an agreement for clinical trial services relating to the Phase 3 trial of AXIRON™. The estimated expenditure for the trial services amounted to US$3.2 million, EURO 1.3 million and A$0.4 million. The majority of the expenditure was incurred in the 2008/09 financial year. It is estimated that US$0.8million, EURO 0.3 million and A$0.2 million will be incurred in the 2009/10 financial year under the services agreement.

NOTE 20: EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	Consolidated Entity	
	2009 $'000	2008 $'000
Earnings used in calculating basic and diluted earnings per share	(7,716)	(5,026)

	2009 No of shares	2008 No of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	159,383,138	157,275,805
Basic and diluted earnings per share (cents)	(4.84)	(3.20)

(i) Calculation of diluted earnings per share

Potential ordinary shares are considered to be antidilutive and therefore diluted earnings per share is equivalent to the basic earnings per share.

NOTE 21: KEY MANAGEMENT PERSONNEL COMPENSATION

Details of Key Management Personnel Compensation are contained within the Remuneration Report section of the Director's Report.

NOTE 22: KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

Details of Key Management Personnel's Equity Holdings are contained within the Remuneration Report section of the Director's Report.

NOTE 23: LOANS TO KEY MANAGEMENT PERSONNEL

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

NOTE 24: RELATED PARTY DISCLOSURES

Wholly-owned group transactions

Loans

Loans made by Acrux Limited to controlled entities under normal terms and conditions. The aggregate amounts receivable from controlled entities by the parent entity at the end of the reporting period were $16,298,753 (2008: $14,768,098).

Other transactions with Key Management Personnel and their personally-related entities

(a) Professor Barrie Finnin, a director of Acrux Limited, is a director of Frivolity Pty Ltd. During the year this company provided research and development and Scientific Advisory Board chairmanship services to Acrux DDS Pty Ltd, a subsidiary of Acrux Limited. Fees charged for these services totaled $13,216 (2008: $72,064). These fees were charged on a normal commercial basis.

(b) All other payments made to Key Management Personnel during the financial year related to the reimbursement of expenses incurred on behalf of Acrux Limited and its subsidiaries. These transactions were made at arms length and on a regular commercial basis.

NOTE 25: AUDITOR'S REMUNERATION

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Amounts received or due and receivable by Pitcher Partners for:				
– An audit or review of the financial report of the entity and any other entity in the consolidated entity	67	69	67	69
– Other assurance services	28	23	20	16
	95	92	87	85

NOTE 26: SEGMENT INFORMATION

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

Additional information on revenue and non-current assets:

	Consolidated Entity	
	2009 $'000	2008 $'000
Product/Service		
Animal health products	254	306
Women's health products	396	3,535
Interest	1,580	2,553
Government grants	673	655
Total revenue	2,903	7,049
Country of Origin		
Australia	2,253	3,841
Overseas	650	3,208
Total revenue	2,903	7,049

Government grants were received from the Commonwealth Government of Australia and represented more than 10% of total revenue in the reporting period.

Australia		
Intangible Assets	17,578	5,112
Property, Plant and Equipment	648	912
	18,226	6,024
Overseas		
Intangible Assets	-	-
Property, Plant and Equipment	1,124	-
	1,124	-
Total non-current assets	19,350	6,024

Overseas Property, Plant and Equipment represents purchased manufacturing equipment installed at themanufacturing facility of Orion Corporation in Finland.

NOTE 27: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2009	2008
Parent Entity			
Acrux Limited	Australia		
Subsidiaries of Acrux Limited			
Acrux DDS Pty Ltd	Australia	100%	100%
Fempharm Pty Ltd	Australia	100%	100%
Acrux Pharma Pty Ltd	Australia	100%	100%
Acrux Commercial Pty Ltd	Australia	100%	100%
Cosmeceutic Solutions Pty Ltd	Australia	90%	90%

NOTE 28: CONTINGENCIES

Acrux Limited has a contingent liability associated with its agreement to provide ongoing financial support to its subsidiaries. Acrux Limited has provided a letter of financial support to its subsidiaries agreeing to provide ongoing financial support to ensure the subsidiaries are able to meet their commitments as and when they fall due.

In accordance with the banking agreement with the National Australia Bank Limited, Acrux Limited has in place a guarantee and indemnity to the value of $70,000 (2008: $70,000). This is supported by letters of set-off over amounts on deposit to the value of $70,000 (2008: $70,000). This guarantee is pledged as security for the liabilities of Acrux Limited.

In accordance with the banking agreement with National Australia Bank Limited, Acrux DDS Pty Ltd has in place a guarantee and indemnity to the value of $301,871 (2008: $301,871). This is supported by letters of set-off over amounts on deposit to the value of $301,871 (2008: $301,871). This guarantee is pledged as security for the liabilities of the entity.

At 30 June 2009, Fempharm Pty Ltd had $100,000 included in trade debtors relating to its Ellavie™ distribution agreement with Aspen Pharmacare Limited ("Aspen") for South Africa. The agreement was signed on 4 June 2009. The payment is subject to Aspen receiving exchange control approval from the South African Reserve Bank. This amount will be refundable if Aspen is unable to secure marketing approval for Ellavie™ within 36 months of the submission of the new product application to the relevant regulatory agency.

NOTE 29: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2009 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2009, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2009, of the consolidated entity.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 39 to 65 in accordance with the *Corporations Act 2001*:

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

(b) Give a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2009 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2009.

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

R Dobinson
Chairman
Melbourne

Dated this 26th day of August 2009

B C Finnin
Director
Melbourne

Dated this 26th day of August 2009

INDEPENDENT AUDITOR'S REPORT

To the Members of Acrux Limited

We have audited the accompanying financial report of Acrux Limited and controlled entities. The financial report comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report 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 entity'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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Auditor's Opinion
In our opinion:

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

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

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

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 30 to 37 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion
In our opinion the Remuneration Report of Acrux Limited and controlled entities for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

S D Whitchurch

Partner
Dated this 26th day of August 2009

PITCHER PARTNERS

Melbourne Partner

SHAREHOLDER INFORMATION

AS AT 11 SEPTEMBER 2009

Shareholders

The Company has 159,435,216 ordinary fully paid shares on issue, held by 2,868 shareholders and 7,086,495 options outstanding, held by 18 people. The Company does not have any other shares or options or other equity securities on issue. Details of the voting rights attached to the fully paid ordinary shares are set out below. No voting rights attach to the options.

All fully paid ordinary shares are quoted on the Australian Stock Exchange. No other equity securities of the Company are quoted on the Australian Stock Exchange. The Company has not had, and neither is there currently, any on-market buy back.

Distribution Schedule

The following is a distribution schedule of the number of holders of fully paid ordinary shares in the Company within the bands of holding specified by the ASX Listing Rules:

Category	Number of Shareholders	Percentage	Shares
1 to 1,000 shares	374	0.17%	270,107
1,001 to 5,000 shares	1,077	2.14%	3,409,769
5,001 to 10,000 shares	511	2.69%	4,287,180
10,001 to 100,000 shares	736	14.69%	23,415,205
100,001 shares and over	170	80.32%	128,052,955
Total	**2,868**	**100.00%**	**159,435,216**

30 shareholders hold less than a marketable parcel of fully paid ordinary shares (being the Company's main class of securities), based on the market price at the date set out above.

The following is a distribution schedule of the number of holders of options of the Company within the bands of holding specified by the ASX Listing Rules:

Category	Number of option holders	Percentage	Options
1 to 1,000 options	1	0.01%	1,000
1,001 to 5,000 options	1	0.06%	4,000
5,001 to 10,000 options	1	0.14%	10,000
10,001 to 100,000 options	4	1.75%	124,000
100,001 options and over	11	98.04%	6,947,495
Total	**18**	**100.00%**	**7,086,495**

Names of Substantial Holders

Name	Number of equity securities held
Orbis Global Equity Fund Limited and associated entities	29,698,341
Walker Group Holdings Pty Limited	14,737,254

Under the ASX Listing Rules "Substantial Holder" means, in general terms, a person who either alone or with their associates has an interest in 5% or more of the voting shares of the Company. As Acrux Limited has only fully paid ordinary shares and options on issue, under the ASX Listing Rules "equity securities" means those fully paid ordinary shares and options.

SHAREHOLDER INFORMATION

AS AT 11 SEPTEMBER 2009

Twenty Largest Holders of Fully Paid Ordinary Shares in Acrux Limited

	Shareholder	Number of fully paid ordinary shares	Percentage of total capital
1	Citicorp Nominees Pty Limited	16,699,340	10.48%
2	Walker Group Holdings Pty Limited	13,355,866	8.38%
3	HSBC Custody Nominees (Australia) Limited	8,311,836	5.22%
4	National Nominees Limited	7,983,434	5.01%
5	Phillip Asset Management Ltd	6,650,000	4.17%
6	J P Morgan Nominees Australia Limited	4,890,960	3.07%
7	Asia Union Investments Pty Ltd	3,000,000	1.88%
8	G G D T Developments Pty Ltd	2,600,000	1.63%
9	Omega Spv I Lp	2,157,937	1.35%
10	ANZ Nominees Limited	2,108,966	1.32%
11	B & K Finnin Pty Ltd	2,016,016	1.27%
12	Durbin Superannuation Pty Ltd	1,799,445	1.13%
13	CIMB-GK Securities Pte Ltd	1,714,286	1.08%
14	Investment Holdings Pty Ltd	1,650,000	1.04%
15	Harbour Nominees Pty Ltd	1,525,561	0.96%
16	Walker Group Holdings Pty Limited	1,381,388	0.87%
17	Irrewarra Investments Pty Ltd	1,250,000	0.78%
18	UBS Nominees Pty Ltd	1,168,284	0.73%
19	Frijlink Pty Ltd	1,160,000	0.73%
20	B & K Finnin Pty Ltd	1,009,090	0.63%
		82,432,409	**51.74%**

Market Listing

Acrux Limited is quoted on the Australian Stock Exchange (ASX). Share prices can be obtained from most Australian national newspapers and from the ASX website (www.asx.com.au). The shares of the Company are not quoted on any other stock exchange. The following are the share prices for the end of each quarter of the financial year ending 30 June 2009:

Quarter ended 30 September 2008	94 cents
Quarter ended 31 December 2008	47 cents
Quarter ended 31 March 2009	54 cents
Quarter ended 30 June 2009	$1.13

The closing share price on 11 September 2009 was $1.51.

Voting Rights, Dividends and Share Transfers

Every holder of shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share held by him or her, and a proportionate vote for every partly paid share, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairperson of the meeting, by any 5 shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the shares of all those shareholders having the right to vote at that meeting.

A shareholder may transfer shares by a market transfer in accordance with any computerised or electronic system established or recognised by the ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by the ASX or in any other usual form or in any form approved by the board.

The board may refuse to register any transfer of shares, other than a proper SCH transfer, where permitted by the Listing Rules of the ASX. The Company must not refuse or fail to register or give effect to or delay or in any way interfere with a proper SCH transfer of shares or other securities.

Pooled Development Fund

The information set out below is of a general nature only and may vary from person to person (dependent on their circumstances). Any shareholder or prospective shareholder should obtain their own taxation advice, rather than relying on this summary.

The Company is a Pooled Development Fund (PDF) that has been registered under the Pooled Development Fund Act 1992 ("the PDF Act") since 7 July 1999. A PDF is a company that is resident in Australia, and is registered and regulated by the PDF Registration Board in accordance with the PDF Act.

Shareholders in the Company will be entitled to concessionary tax treatment in Australia for income and capital gains derived in connection with their shareholding. The concessionary tax treatment should be available to investors that hold their interests directly and indirectly through non-corporate trusts and partnerships.

Gains realised by an investor on the disposal of shares in the Company will not be included in the investor's assessable income in Australia. This is because:

- Where the gain on sale would be ordinary income of the investor, the gain will be treated as exempt income; and
- Where the gain on sale would be a capital gain it is specifically excluded from the capital gains tax provisions of the Tax Act.

Equally, an investor will not be entitled to any deduction or capital loss on the sale of the Company's shares.

Shares held in a PDF cannot be held as trading stock. Accordingly, share traders cannot treat PDF shares as trading stock.

Unfranked dividends received by an Australian resident shareholder from the Company will be exempt from tax in the hands of the shareholder. Franked dividends will also be exempt from tax unless the shareholder elects to treat the franked dividend as taxable.

Broadly, Australian resident shareholders who hold the Company's shares at risk (in accordance with the Tax Act) for 45 days or more may elect to treat franked dividends paid by the Company as assessable income, and claim the tax offset available in respect of the dividend. The tax offset will be equal to the franking credit attaching to the dividend received. Where the tax offset available exceeds the shareholder's highest marginal tax rate, the shareholder may be entitled to receive a refund of tax in respect of the excess franking credit.

Australian corporate tax entities are entitled to benefit from the franking credits attaching to the franked portion of the dividends paid by the Company, irrespective of whether the corporate tax entity treats the dividend as exempt income or elects to treat it as assessable income. Accordingly, an Australian corporate may credit its franking account with franking credits attaching to a dividend from the Company regardless of whether or not they have elected to treat the dividend as exempt or assessable income.

Dividends paid by Acrux to non-residents will not be subject to withholding tax regardless of whether or not they are franked or unfranked.

Should the Company cease to be a PDF, each shareholder will be deemed to have sold their shares immediately before the Company ceased to be a PDF and to have acquired the shares at their market value immediately after the Company ceased to be a PDF. Any gain or loss realised on the sale after that time, calculated by reference to the deemed acquisition cost, will be subject to the general provisions of the Tax Act and any such gain may be included in the shareholder's assessable income.

NOTES

DIRECTORY

Acrux Limited and subsidiary companies

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Australian Stock Exchange code "ACR"

Information about the Company, including media releases, disclosures to the Australian Stock Exchange, quarterly shareholder updates and corporate governance policies, can be found on the Company's website. If you require further information about Acrux, please contact the Chief Financial Officer & Company Secretary, Jon Pilcher, on +61 3 8379 0100, or jon.pilcher@acrux.com.au.

Share Registry

Link Market Services
Level 1, 333 Collins Street
MELBOURNE VIC 3000

Locked Bag A14
Sydney South NSW 1235

Toll-free	1300 554 474 (Australia only)
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International	+61 2 8280 7111
Facsimile	(02) 9287 0303
Facsimile	(02) 9287 0309 (for proxy voting)
Email	registrars@linkmarketservices.com.au
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