Appendix 4D -Half year report

Results for announcement to the market

Name of Entity	Acrux Limited
ABN	72 082 001 152
Half Year Ended	31 December 2019
Previous Corresponding Reporting Period	31 December 2018

Results for announcement to the market				**$A'000**
Revenues from ordinary activities	down	78%	to	576
(Loss) from ordinary activities after tax attributable to members	Up	82%	to	(6,435)
Net (loss) for the period attributable to members	Up	82%	to	(6,435)

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final dividend Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Please refer to attached accounts for commentary on the results

NTA Backing	**Current period**	**Previous corresponding Period**
Net tangible asset backing per ordinary security	0.07 cps	0.16 cps

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN: 72 082 001 152

FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2019

ACRUX LIMITED AND CONTROLLED ENTITIES (ABN: 72 082 001 152)

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

TABLE OF CONTENTS

Company Information

Directors
R Dobinson – Non-executive Chairman
T Oldham – Non-executive Director
S Green – Non-executive Director (resigned 28 November 2019)
G Brooke – Non-executive Director
M Kotsanis – CEO and Managing Director
N Gray – Non-executive Director (appointed 28 November 2019)

Company Secretary
Deborah Ambrosini

Registered Office
103-113 Stanley Street
West Melbourne
Victoria 3003

Principal Business Address
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West Melbourne
Victoria 3003
Telephone: (03) 8397 0100
Website: www.acrux.com.au

Australian Business Number
72 082 001 152

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664 Collins Street
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Australian Securities Exchange Listing
Australian Securities Exchange Limited
(Home Exchange: Melbourne, Victoria)
ASX Code: ACR

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Acrux Limited (the Company) and its controlled entities (the Group), for the half-year ended 31 December 2019 and independent review report thereon.

DIRECTORS' NAMES

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

Name		Appointed/resigned
Ross Dobinson	Non-executive Chairman	Appointed 19 March 1998
Michael Kotsanis	Managing Director & Chief Executive Officer	Appointed 3 November 2014
Timothy Oldham	Non-executive Director	Appointed 1 October 2013
Simon Green	Non-executive Director	Resigned 28 November 2019
Geoffrey Brooke	Non-executive Director	Appointed 1 June 2016
Norman Gray	Non-executive Director	Appointed 28 November 2019

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

REVIEW OF OPERATIONS

A review of the operations of the Group during the half-year and the results of these operations are as follows:

Mission

Acrux is a pharmaceutical company dedicated to developing and commercialising generic topical prescription pharmaceuticals.

Business Strategy

Acrux is developing a range of topically applied products with an expanding pipeline of products under active development. Acrux is developing a range of generic products for the US market by leveraging its on-site laboratories, GMP manufacturing suite, clinical and commercial experience to bring affordable products to market. The development time required for generic products is substantially shorter and less costly than the length of time required for a new drug development.

Topical generic portfolio

At the date of this report, Acrux has 15 generic topical products in various stages of development, including 3 that have been submitted for review to the FDA. The addressable market value for the pipeline of 15 products is approximately US$1.5 billion based on IQVIA reported annual sales data at September 2019. Over half the value of the pipeline in development currently have no marketed generic alternatives in the United States.

Acrux believes that a number of its products in development will qualify for the recently introduced Competitive Generic Therapies (CGT) incentives provided by the U.S Food and Drug Administration (FDA) for the development of products with no generic competitors and no unexpired patents or exclusivity listed in the FDA Orange Book (protecting the reference product from potential generic competition). FDA incentives for CGT products include a potentially faster FDA review process than other Abbreviated New Drug Application (ANDA) submissions and a granting of 180 day market exclusivity for the first approved generic alternative.

Acrux has now engaged with 6 contract manufacturing organisations (CMOs) to manufacture different products from its portfolio of generic topical products. All CMOs have been FDA approved to manufacture topical products.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Continued)

Acrux Regulatory Submissions

Acrux submitted its first generic product to the FDA during the 2018 financial year. In August 2018, the FDA informed Acrux that its dossier has been accepted for review. This filing was a Paragraph IV ANDA for a generic version of Jublia® (efinaconazole) topical solution, 10%. The subsequent patent litigation was settled in April 2019.

Acrux submitted its second generic product to the FDA in August 2018 and this was accepted for review by the FDA in October 2018. The product filed was an ANDA for testosterone solution 30mg/1.5mL.

The Company filed its third product for review in June 2019. The product filed was an ANDA for lidocaine 2.5% and prilocaine 2.5% cream and the FDA accepted this product for review in August 2019. All three ANDAs are under review by the FDA.

Marketed topical portfolio

The Group's commercialised products include Estradiol spray marketed by Gedeon Richter in Europe and by Perrigo in the US.

The marketing of Estradiol spray in Europe commenced in Q1 2016 and has since been launched in countries across the European Union and other markets. Sales grew 56.9% half year on half year and are expected to continue to grow as the product captures market share in existing countries and is progressively launched into new countries. The product has been launched in an additional 7 countries since December 2018.

In the US Estradiol spray sales grew 80.0% compared to prior half year.

Key Events During Half Year

The following were key events for the Group during the half-year:

* Acrux received confirmation that the submitted ANDA to the FDA for a generic version of EMLA® (Lidocaine 2.5% and Prilocaine 2.5%) cream had been accepted for review.
* Acrux continued to make solid progress on its generic portfolio with an additional project added to the pipeline under development.
* Estradiol spray continues to be launched progressively in additional countries within the European Union by our licensee (Gedeon Richter).
* Acrux received an R&D Tax Incentive Rebate from the Australian Taxation Office of $2.015 million.

Operating Results

The consolidated loss before tax was $5.89 million (2018: loss $3.51 million) attributable to expenses incurred to progress the Group's generic development pipeline. The increased loss is primarily attributable to the inclusion of the accrual for the 30 June 2018 R&D Tax Incentive of $2.06 million in the prior year. An accrual of $2.015 million for the 2019 R&D Tax Incentive was raised at 30 June 2019 and the rebate was received during the half year ending 31 December 2019. The consolidated loss after tax was $6.43 million (2018 loss: $3.54 million).

Revenue

Revenue for the half-year decreased $2.08 million or 78.3% to $0.58 million (2018: $2.65 million). The reduction was primarily attributable to the inclusion of the accrual for the 30 June 2018 R&D Tax Incentive of $2.06 million in the prior year. An accrual of $2.015 million for the 2019 R&D Tax Incentive was raised at 30 June 2019 and the rebate was received during the half year ending 31 December 2019.

Royalty revenue from existing commercialised products in Europe and in the United States totalled $0.44 million (2018: $0.28 million). Gedeon Richter's sales of Estradiol spray grew 56.9% while Perrigo's sales of the product grew 80.0% compared to the prior half year.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Continued)

Operating Results (Continued)

Interest on cash deposits were $0.14 million (2018: $0.32 million).

Expenses

Total expenses for the half-year was $6.47 million (2018: $6.17 million).

Total operating expenditure for the half-year increased by 4.0% to $6.47 million (2018: $6.17 million) reflecting increased costs incurred in contract manufacture engagement, API procurement for the manufacture of exhibit batches and clinical research organisation engagement. External R&D costs for the half-year increased to $2.44 million (2018: $1.93 million). Employee benefits expense remained flat at $2.51 million (2018: $2.55 million).

Income Tax

Income tax expense of $0.54 million (2018: $0.02 million) was recorded for the half-year reflecting movements in deductible tax temporary differences and non recognition of unused tax losses. Further details of the income tax expense are provided at Note 4 of the financial report.

Cash flow

Cash received from licensing agreements for the half-year was $0.42 million (2018: $0.25 million). The Group paid $6.08 million to suppliers and employees (2018: $6.57 million) as a consequence of continued investment in our R&D pipeline. Interest received on cash reserves of $0.16 million (2018: $0.33 million) decreased in comparison to prior half-year, reflective of reduction in cash reserves. Income tax payments were nil (2018: $0.51 million) driven by operating results across the Group.

Capital expenditure was $0.18 million, down 42% on the prior half-year.

Cash reserves at the end of the period were $14.34 million (30 June 2019: $18.15 million).

Contributed Equity

The number of outstanding share options on issue at the end of the reporting period was nil (30 June 2019: 1,000,000).

The number of outstanding performance rights at the end of the reporting period was 7,961,398 (30 June 2019: 6,235,000), representing 4.77% of the Company's issued share capital. During the half-year 2,149,998 rights were granted to the non-executive Directors under the Group's Omnibus Equity Plan. The rights were issued after shareholder approval was received at the Annual General Meeting of the Company held on 28 November 2019. The Non-executive Board members, with the exception of Mr Norman Gray who was not a member of the Board at the time approval was obtained, will receive 50% of their cash remuneration for the next 3 years as equity in the form of rights. The rights will vest on a quarterly basis in arrears.

Significant changes in the state of affairs

There have been no significant changes in the Group's state of affairs during and since the end of the reporting period that have not been disclosed elsewhere in this report.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Continued)

After balance date events

The Group operates an Omnibus Equity Plan which was approved by members on 26 October 2017. On 3 February 2020, employees accepted 654,097 performance rights and 176,460 Exempt Shares offered by the Board under this Plan. The performance rights and shares were issued at nil cost and hold no participation rights.

Shares issued on exercise of rights rank equally with existing shares. Performance rights will vest annually, subject to performance hurdles being achieved. The Exempt shares will be escrowed for a period of 3 years from the date of issue.

Auditor's independence declaration

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

DIRECTORS' REPORT

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' Report have been rounded to the nearest one million dollars and in the Financial Report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the Directors:

……………………………………………………………………………

Ross Dobinson

Non-executive Chairman

Melbourne

Dated this day 25 February 2020

PITCHER PARTNERS

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of ACRUX LIMITED AND CONTROLLED ENTITIES.

In relation to the independent auditor's review for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001;* and

ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

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

N R BULL
Partner

PITCHER PARTNERS
Melbourne

25 February 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Half Year 31 December 2019 $'000	31 December 2018 $'000
Revenue and Other Income			
Royalty revenue	2	436	275
Interest income	2	140	320
R&D tax incentive rebate		-	2,057
Total		576	2,652
Less: Expenses			
Employee benefits expense		(2,506)	(2,550)
Directors' fees		(159)	(172)
Share options expense		(134)	(168)
Depreciation and amortisation expense		(346)	(210)
Occupancy expense		(76)	(257)
External research and development expense		(2,440)	(1,925)
Professional fees		(175)	(356)
Other expense		(632)	(528)
Loss Before Income Tax		(5,892)	(3,514)
Income tax expense	4	(543)	(22)
Net loss for the half year		(6,435)	(3,536)
Other comprehensive income		-	-
Total comprehensive loss for the half year		**(6,435)**	**(3,536)**
Total Comprehensive Loss attributable to members of the parent entity arises from:			
Continuing operations		(6,435)	(3,536)
Total Comprehensive Loss attributable to parent		**(6,435)**	**(3,536)**
Loss Per Share -			
Basic loss per share		(3.86) cents	(2.12) cents
Diluted loss per share		(3.86) cents	(2.12) cents

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Consolidated 31 December 2019 $'000	Consolidated 30 June 2019 $'000
Current Assets			
Cash and cash equivalents		14,336	18,152
Receivables		286	2,301
Other current assets		270	487
Total Current Assets		14,892	20,940
Non-Current Assets			
Plant and equipment		891	906
Intangible assets	6	643	696
Deferred tax asset		1,347	1,891
Lease assets	7	2,309	-
Total Non-Current Assets		5,190	3,493
Total Assets		20,082	24,433
Current Liabilities			
Payables		1,485	1,869
Provisions		534	547
Lease liabilities	7	130	-
Total Current Liabilities		2,149	2,416
Non-Current Liabilities			
Provisions		80	81
Lease liabilities	7	2,218	-
Total Non-Current Liabilities		2,298	81
Total Liabilities		4,447	2,497
Net Assets		**15,635**	**21,936**
Equity			
Contributed equity		95,895	95,879
Reserves		575	639
Retained earnings		(80,835)	(74,582)
Equity attributable to equity holders of the Parent		15,635	21,936
Non-controlling interests		-	-
Total Equity		**15,635**	**21,936**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total Equity $
Balance at 1 July 2018	95,873	581	(66,483)	29,971
Loss attributable to members of the consolidated entity	-	-	(3,536)	(3,536)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half year	-	-	(3,536)	(3,536)
Transactions with owners in their capacity as owners:				
Employee share scheme	-	168	-	168
Vested employee share options that lapsed during the half year	-	(226)	226	-
Balance at the half year ended 31 December 2018	95,873	523	(69,793)	26,603
Balance at 1 July 2019	95,879	639	(74,582)	21,936
Loss attributable to members of the consolidated entity	-	-	(6,435)	(6,435)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half year	-	-	(6,435)	(6,435)
Transactions with owners in their capacity as owners:				
Employee share scheme	16	118	-	134
Vested employee share options that lapsed during the half year		(182)	182	-
Balance at the half year ended 31 December 2019	95,895	575	(80,835)	15,635

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	HALF YEAR 31 December 2019 $'000	31 December 2018 $'000
Cash flows from operating activities			
Receipts from product agreements		416	254
Payments to suppliers and employees		(6,075)	(6,571)
Interest received		163	328
Finance costs		(97)	-
Research and development tax incentive		2,015	-
Income tax refunded/(paid)		-	51
Net cash used in operating activities		(3,578)	(5,938)
Cash flows from investing activities			
Payment for property, plant and equipment		(177)	(308)
Net cash used in investing activities		(177)	(308)
Cash flows from financing activities			
Lease liability principal repayments		(61)	-
Net cash used in investing activities		(61)	-
Net decrease in cash and cash equivalents		(3,816)	(6,246)
Cash and cash equivalents at beginning of half year		18,152	28,470
Cash at the end of the period		14,336	22,224

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Acrux Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001.*

This condensed half-year financial report covers Acrux Limited and controlled entities as a consolidated entity. Acrux Limited is a company limited by shares, incorporated and domiciled in Australia. The address of Acrux Limited registered office and principal place of business is 103-113 Stanley Street, West Melbourne, Vic, 3003. Acrux Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors on 25 February 2020.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting, as appropriate for for-profit entities, and the *Corporations Act 2001* . Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

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

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2019 and the corresponding half-year except as described below in Note 1(b).

(b) Summary of the significant accounting policies

The consolidated entity has adopted new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

AASB 16

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases*.

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
   i. investment property, the lessee applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or
   ii. property, plant or equipment, the lessee applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and

(b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

In accordance with the transition requirements of AASB 16, the Group has elected:

(a) to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect of initially applying the new standard recognised at the beginning of the current reporting period (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $2,408,881 (referred to in these financial statements as "lease assets") and corresponding lease liabilities with an aggregate carrying amount of $2,408,881. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities is 8%.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period (ie at 30 June 2019) to the aggregate carrying amount of lease liabilities recognised at the date of adoption (ie 1 July 2019):

	$ '000s
Aggregate non-cancellable operating lease commitments at 30 June 2019	1,001
Plus: lease payments included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	2,754
Less: impact of discounting lease payments to their present value at 1 July 2019	(1,346)
Carrying amount of lease liabilities recognised at 1 July 2019	2,409

Further details of the Group's accounting policy for leases, for the half-year period ended 31 December 2019, is as follows:

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

(c) Rounding amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* , the amounts in the directors' report have been rounded to the nearest one million dollars and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

2 SEGMENT REPORTING

The Group operates as a single operating segment. Internal management reporting systems present financial information as a single segment. The segment derives its revenue from developing and commercialising products using unique technology.

Geographical segment information

The following table includes the disaggregation of revenue disclosures in line with AASB 15 Revenue from Contract with Customers.

	31 December 2019 $'000	31 December 2018 $'000
Revenue from external customers		
Australia - interest income	140	320
Australia - R&D tax incentive rebate	-	2,057
European Union - royalty revenue	400	255
United States of America - royalty revenue	36	20
	576	2,652

Product information	31 December 2019 $'000	31 December 2018 $'000
Revenue by product group / service		
Estradiol	436	275
R&D tax incentive rebate	-	2,057
Interest income	140	320
	576	2,652

All assets are located in Australia.

3 RESEARCH AND DEVELOPMENT RELATED COSTS

The expenses incurred by the Group are categorised and presented in the statement of profit or loss and other comprehensive income according to their nature. A significant portion of these expenses relate to product research and development including direct cost and indirect management and overhead costs.[1]

	HALF YEAR	
	31 December 2019 $'000	31 December 2018 $'000
Employee costs	2,241	2,313
Laboratory and development costs	2,400	1,887
Facility costs	458	505
Other costs	45	221
	5,144	4,926

1. This differs from the classification of research and development costs pursuant to AASB138 which only comprises direct costs.

4 INCOME TAX

The parent entity, Acrux Limited is a Pooled Development Fund (PDF):

- PDFs are taxed at 15% on income and gains from investments in small to medium enterprises;
- PDFs are taxed at 25% on other income;
- Groups containing a PDF are not permitted to consolidate for tax purposes.

Income tax expense of $0.54 million (2018: $0.02 million) was recorded for the half-year reflecting movements in deductible tax temporary differences and non recognition of unused tax losses.

5 FAIR VALUE MEASUREMENTS

The carrying amount of financial assets and financial liabilities approximate their fair values.

6 INTANGIBLE ASSETS

	31 December 2019 $'000	30 June 2019 $'000
Capitalised development		
Estradiol		
External development expenditure	1,071	1,071
Accumulated amortisation	(428)	(375)
	643	696
Total intangible assets	643	696

(a) Reconciliations

Reconciliations of the carrying amounts of capitalised development at the beginning and end of the current financial year:

	31 December 2019 $'000	30 June 2019 $'000
Capitalised development		
Estradiol		
Carrying amount at beginning	696	803
Additions	-	-
Amortisation	(53)	(107)
	643	696
Total intangible assets	643	696

The remaining useful life of Estradiol Capitalised Development is approximately 6.0 years.

7 LEASING

The Group has an operating lease for its office, laboratory and warehouse facilities for which the lease was renewed by Acrux DDS Pty Ltd for a period of 4 years from 1 June 2018, with a further three options to extend for three 3 years each. Acrux DDS Pty Ltd does not have an option to purchase the leased asset at the expiry of the lease period.

Lease liabilities are presented in the statement of financial position as follows:

Lease Liabilities	**31 December 2019**	**30 June 2019**
	000's	**000's**
Lease liabilities (current)	130	-
Lease liabilities (non-current)	2,218	-
Total carrying amount of lease liabilities	2,348	-

Leased Assets	**31 December 2019**	**30 June 2019**
Carrying amount of lease assets, by class of underlying asset:	**000's**	**000's**
Buildings under lease arrangements		
At cost	2,409	-
Accumulated depreciation	100	-
Total carrying amount of leased assets	2,309	-

Leased expenses and cashflows	**31 December 2019**	**30 June 2019**
	000's	**000's**
Interest expense on lease liabilities	95	-
Depreciation expense on lease assets	100	-
Total cash outflow in relation to leases	158	-

8 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2019.

9 AFTER BALANCE DATE EVENTS

The Group operates an Omnibus Equity Plan which was approved by members on 26 October 2017. On 3 February 2020, employees accepted 654,097 performance rights and 176,460 Exempt Shares offered by the Board under this Plan. The performance rights and shares were issued at nil cost and hold no participation rights.

Shares issued on exercise of rights rank equally with existing shares. Performance rights will vest annually, subject to performance hurdles being achieved. The Exempt shares will be escrowed for a period of 3 years from the date of issue.

There have been no other matter or circumstance which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Acrux Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

(ii) giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance for the half-year ended on that date; and

(i) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;

(b) there are reasonable grounds, at the date of this declaration, to believe that Acrux Limited will be able to pay its debts as and when they become due and payable.

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

………………………………………………………………………………………

Ross Dobinson
Non-executive Chairman

Melbourne

Dated this day 25 February 2020

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

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

We have reviewed the accompanying half-year financial report of Acrux Limited "the Company" and controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Acrux Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PITCHER PARTNERS

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

N R BULL
Partner

PITCHER PARTNERS
Melbourne

25 February 2020