



**ACRUX LIMITED**  
**ABN: 72 082 001 152**  
**AND CONTROLLED ENTITIES**

**FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2015**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2015



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**FINANCIAL REPORT FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2015**

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**DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

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 2015 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

**Directors' names**

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

<b>Name</b>	<b>Period of Directorship</b>
R Dobinson (Chairman)	Director since 19 March 1998
B Parncutt	Director since 30 April 2012
T Oldham	Director since 1 October 2013
M Kotsanis	Director since 3 November 2014

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**

The consolidated profit of the Group for the half-year after providing for income tax amounted to \$9.7 million (2014: \$7.0 million), equating to earnings of \$0.06 cents per share (2014: \$0.04 cents per share).

During the period, the Company communicated its growth strategy, providing clarity and direction on its framework for value creation. Income diversification will be derived through the development of three distinct therapy portfolios:

*Marketed topical portfolio.* The marketed topical portfolio includes the Company's commercialised products, Axiron® (testosterone), Evamist® (estradiol) and Lenzetto® (estradiol).

Axiron global sales by our partner Eli Lilly and Company over the six months ended 31 December 2015 were US\$83.0M compared to US\$83.9M over the same period last year. Axiron's US volume market share remained steady, ending the period at 14.4%<sup>(1)</sup>. Generic alternatives exist for Androgel 1% (an alternative testosterone replacement therapy) and were introduced from January 2015, however these generics are not substitutable for Axiron and as a result have not impacted market share to date.

(1) Source: IMS data



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Since the release of the Food and Drug Administration (FDA) communication in March 2015, manufacturers of approved testosterone replacement therapy products in the United States have been in dialogue with the FDA “to conduct a well-designed clinical trial”.

During the half-year, marketing approval was received for Lenzetto in multiple European countries. Lenzetto has now been launched in Poland, the Czech Republic and Hungary, by our partner Gedeon Richter. A sequential launch in additional European countries will occur over the following months.

*Specialty topical portfolio.* Onychomycosis is the Company’s lead specialty topical program, targeting fungal infection of the nail bed in toes and fingers. Development efforts have progressed with a number of formulations delivering excellent nail penetration. The Company has assessed the intellectual property landscape and has a clear path with which to move forward.

*Generic topical portfolio.* The Company’s generic topical portfolio is progressing to plan with three products scoped and development commenced. Activities on a fourth product will commence during the quarter ended March 2016. It is expected the first commercial events for the portfolio will occur during the 2019 calendar year. Details of product candidates are withheld by Acrux for competitive reasons.

The Company has taken a diligent and active approach to portfolio management, assessing a number of opportunities over the period. Our resources are dedicated to executing our lead Onychomycosis project and making progress on 4 candidates within our generic portfolio.

The consolidated entity’s profit before tax for the half-year improved 29.1% to \$13.3 million (2014: \$10.3 million). The consolidated entity’s profit after tax improved 38.9% to \$9.7 million (2014: \$7.0 million) with a tax expense of \$3.6 million (2014: \$3.3 million).

*Revenue*

Revenue for the half-year increased \$3.8 million or 26.6% to \$18.0 million (2014: \$14.2 million). Royalty revenue from Axiron increased \$1.5 million to \$15.2 million (2014: \$13.7 million). During the 6 months ended 31 December 2015, a milestone of US\$2M was received from Gedeon Richter (2014: Nil). Interest on cash deposits were \$0.2 million (2013: \$0.3 million).



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*Operating Expenses*

Total operating expenditure for the half-year increased to \$4.7 million (2014: \$3.9 million). Royalty payments due to Monash Investment Trust increased to \$0.6 million (2014: \$0.5 million), in-line with product income. Employee benefits increased to \$1.7 million (2015: \$1.3 million), partially offset by a reduction in Director's fees (2015: \$0.1 million, 2014: \$0.2 million). The net increase represents investment in research and development, associated with the Company's growth strategy. Share option expense was \$0.2 million (2015: \$nil) and reflects timing of costs associated with the CEO Share Option Plan. Remaining costs totalled \$2.1 million (2014: \$1.9 million), the increase associated with obtaining market data to assist in identification and commercialisation of the generic topical portfolio.

*Income Tax*

Income tax expense of \$3.6 million (2014: \$3.3 million) was recorded for the reporting period. Further details of the income tax expense are provided at Note 2 of the financial report.

*Cash flow*

Gross cash received was primarily from the receipt of royalties and milestones for the half-year ended December 2015 was \$14.9 million (2014: \$11.4 million). The Company paid income tax of \$2.6 million (2014: \$5.3 million) and paid \$3.9 million to suppliers and employees (2014: \$2.9 million).

Capital was returned to shareholders via payment of the 2015 final dividend, totalling \$9.9 million (6 cents per share).

Cash reserves at the end of the period were \$21.5 million (31 December 2014: \$15.8 million).

*Contributed Equity*

There were no changes to contributed equity during the reporting period.

The number of outstanding employee share options on issue at the end of the reporting period was 4,380,000 (30 June 2015: 3,380,000), representing 2.6% of the issued share capital. Share Options were issued under the Employee Share Plan in January 2016. Refer "After balance date events" below for further details.

**Significant changes in the state of affairs**

There have been no significant changes in the consolidated group's state of affairs during and since the end of the reporting period.



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**After balance date events**

The Company operates an Employee Share Option Plan (ESOP) which was approved by members on 17 November 2015. On 25 January, employees accepted 774,000 Options offered by the Board under this Plan. The strike price of these Options is \$0.82 per Share Option. Options hold no participation rights, but shares issued on exercise of options rank equally with existing shares. Options will vest on 25 January 2017, subject to performance hurdles being achieved.

**Rounding of amounts to nearest thousand dollars**

The amounts contained in the Report and in the Financial Report have been rounded to the nearest thousand dollars (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:

Director.....

Dated this 24<sup>th</sup> day of February 2016

**ACRUX LIMITED  
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AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ACRUX LIMITED**

In relation to the independent auditor's review for the half-year ended 31 December 2015, 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 any applicable code of professional conduct.

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



S SCHONBERG  
Partner

Dated 24 February 2016



PITCHER PARTNERS  
Melbourne



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
**ABN: 72 082 001 152**

**CONDENSED CONSOLIDATED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Revenue and Other Income</b>		
Royalty Revenue	15,224	13,729
Milestone Revenue	2,534	-
Interest income	242	313
Other income	4	176
	18,004	14,218
<b>Less: Expenses</b>		
Employee benefits expense	1,716	1,298
Directors' fees	136	241
Share options expense	226	-
Depreciation and amortisation expenses	717	713
Occupancy expenses	224	206
External research and development expenses	398	393
Professional fees	240	357
Royalty expense	631	486
Other expenses	412	239
	4,700	3,934
<b>Profit before income tax expense</b>	<b>13,304</b>	<b>10,284</b>
Income tax expense	3,558	3,266
<b>Net profit from continuing operations</b>	<b>9,746</b>	<b>7,018</b>
<b>Total comprehensive income for the half-year</b>	<b>9,746</b>	<b>7,018</b>

The accompanying notes form part of these condensed financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED CONSOLIDATED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**(Continued)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Total comprehensive income attributable to members of the parent arises from:</b>		
Continuing operations	9,746	7,018
Discontinued operations	-	-
	<u>9,746</u>	<u>7,018</u>
<b>Earnings per share for profit attributable to the equity holders of the parent entity:</b>		
Basic earnings per share	\$0.06	\$0.04
Diluted earnings per share	\$0.06	\$0.04

The accompanying notes form part of these condensed financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
**ABN: 72 082 001 152**

**CONDENSED CONSOLIDATED  
 STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2015**

	<b>31 Dec 2015 \$'000</b>	<b>30 June 2015 \$'000</b>
<b>Current assets</b>		
Cash and cash equivalents	21,539	23,068
Receivables	8,318	4,943
Total current assets	<u>29,857</u>	<u>28,011</u>
<b>Non-current assets</b>		
Plant and equipment	143	92
Intangible assets	19,705	20,392
Total non-current assets	<u>19,848</u>	<u>20,484</u>
<b>Total assets</b>	<u><b>49,705</b></u>	<u><b>48,495</b></u>
<b>Current liabilities</b>		
Payables	1,458	1,150
Current tax payable	3,327	1,764
Provisions	275	288
Total current liabilities	<u>5,060</u>	<u>3,202</u>
<b>Non-current liabilities</b>		
Provisions	16	19
Deferred tax liabilities	4,024	4,649
Total non-current liabilities	<u>4,040</u>	<u>4,668</u>
<b>Total liabilities</b>	<u><b>9,100</b></u>	<u><b>7,870</b></u>
<b>Net assets</b>	<u><b>40,605</b></u>	<u><b>40,625</b></u>
<b>Equity</b>		
Contributed capital	95,873	95,873
Reserves	1,420	1,194
Retained earnings	(56,688)	(56,442)
<b>Equity attributable to owners of Acrux Limited</b>	<u><b>40,605</b></u>	<u><b>40,625</b></u>
<b>Total equity</b>	<u><b>40,605</b></u>	<u><b>40,625</b></u>

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**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED CONSOLIDATED  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

<b>Consolidated</b>	<b>Contributed equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance as at 1 July 2014</b>	<b>95,873</b>	<b>638</b>	<b>(54,454)</b>	<b>42,057</b>
Profit for the half-year as reported in 2014 financial statements	-	-	7,018	7,018
<b>Total comprehensive income for the half-year</b>	-	-	7,018	7,018
<b>Transactions with owners in their capacity as owners:</b>				
Employee share scheme	-	-	-	-
Dividends paid	-	-	(13,322)	(13,322)
	-	-	<b>(13,322)</b>	<b>(13,322)</b>
<b>Balance as at 31 December 2014</b>	<b>95,873</b>	<b>638</b>	<b>(60,758)</b>	<b>35,753</b>
<b>Balance as at 1 July 2015</b>	<b>95,873</b>	<b>1,194</b>	<b>(56,442)</b>	<b>40,625</b>
Profit for the half-year as reported in 2015 financial statements	-	-	9,746	9,746
<b>Total comprehensive income for the half-year</b>	-	-	9,746	9,746
<b>Transactions with owners in their capacity as owners:</b>				
Employee share scheme	-	226	-	226
Dividends paid	-	-	(9,992)	(9,992)
	-	<b>226</b>	<b>(9,992)</b>	<b>(9,766)</b>
<b>Balance as at 31 December 2015</b>	<b>95,873</b>	<b>1,420</b>	<b>(56,688)</b>	<b>40,605</b>

The accompanying notes form part of these condensed financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED CONSOLIDATED  
 STATEMENT OF CASH FLOWS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Cash flow from operating activities</b>		
Receipts from product agreements and government	14,657	11,080
Payments to suppliers and employees	(3,873)	(2,947)
Interest received	206	368
Income tax paid	(2,619)	(5,271)
<b>Net cash provided by operating activities</b>	<b>8,371</b>	<b>3,230</b>
<b>Cash flow from investing activities</b>		
Payment for property, plant and equipment	(54)	(13)
<b>Net cash used in investing activities</b>	<b>(54)</b>	<b>(13)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(9,894)	(13,244)
<b>Net cash used in financing activities</b>	<b>(9,894)</b>	<b>(13,244)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,577)</b>	<b>(10,027)</b>
Foreign exchange differences on cash holdings	48	44
Cash and cash equivalents at beginning of half-year	23,068	25,775
<b>Cash and cash equivalents at end of the half-year</b>	<b>21,539</b>	<b>15,792</b>

The accompanying notes form part of these condensed financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**HALF-YEAR 31 DECEMBER 2015**

**NOTE 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 2015 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*.

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 24 February 2016.

**(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 2015 and the corresponding half-year except as described below in Note 1(b).

**(b) Summary of the significant accounting policies**

A number of new or amended accounting standards become applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2016 annual report as a consequence of these amendments. The fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the condensed consolidated statement of financial position.

The accompanying notes form part of these financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**

**(c) 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.

**NOTE 2: 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.
- The investee companies of a PDF are subject to the general corporate company tax rate of 30%.

The consolidated entities tax rate for the 6 months ended 31 December 2015 is 26.7% and differs to the general corporate company tax rate of 30% primarily due to nil tax expense/liability on one of the profit making investee companies which has previous unrecognised tax losses.

**NOTE 3: DIVIDENDS**

	<b>Half-year</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Dividends paid or declared</b>		
Dividends paid at 6 cents per share fully franked at 30% (2014:	9,992	13,322
8 cents per share, fully franked)	9,992	13,322

The accompanying notes form part of these condensed financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**NOTE 4: SEGMENT INFORMATION**

The consolidated entity 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.

**Additional information on revenue:**

	Half-year	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Product/Service</b>		
Axiron	15,179	13,674
Other revenue	2,825	544
<b>Total revenue</b>	<u>18,004</u>	<u>14,218</u>
<b>Country of Origin</b>		
Australia	242	336
Switzerland <sup>1</sup>	15,179	13,674
Other	2,583	208
<b>Total revenue</b>	<u>18,004</u>	<u>14,218</u>

All assets are located in Australia.

<sup>1</sup>Axiron revenue is receivable from a Swiss subsidiary of Eli Lilly and Company



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**NOTE 5: CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 December 2015.

**NOTE 6: SUBSEQUENT EVENTS**

Employees accepted 774,000 Options issued by the Board pursuant to the terms of the Employee Share Option Plan (ESOP), which was approved at the Acrux Limited Annual General Meeting on 17 November 2015. The strike price of these Options is \$0.82 cents per Share Option. Options hold no participation rights, but shares issued on exercise of options rank equally with existing shares. Options will vest on 23 January 2017, subject to performance hurdles being achieved.

There has been no other matter or circumstance which has arisen since 31 December 2015 that has significantly affected or may significantly affect:

- a) the operations, in financial periods subsequent to 31 December 2015, of the consolidated entity, or
- b) the results of those operations, or
- c) the state of affairs, in financial periods subsequent to 31 December 2015, of the consolidated entity.

The accompanying notes form part of these condensed financial statements



**ACRUX LIMITED AND CONTROLLED ENTITIES**  
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**DIRECTORS' DECLARATION**

The Directors declare that the financial statements and notes set out on pages 7 to 16 in accordance with the *Corporations Act 2001*:

- Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- Give a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds 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.



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**Ross Dobinson**

Non-Executive Chairman

Melbourne

Date 24/2/16

The accompanying notes form part of these condensed financial statements

**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 and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2015, 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 of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

*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 2015 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*.

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**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 2015 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*.



S SCHONBERG  
Partner

Dated 24 February 2016



PITCHER PARTNERS  
Melbourne