Annual Report 2015

Tissue Therapies Limited

ABN 45 101 955 088

Corporate Information

Principal place of business & Registered Office

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Directors

Dr Cherrell Hirst AO, Chairman
Mr Tim Hughes
Dr Mel Bridges
Dr Christian Behrenbruch

Chief Executive Officer

Mr Nigel Johnson

Company Secretary

Saskia Jo

Share Register

Link Market Services
Level 15, 324 Queen Street
Brisbane, QLD 4000, Australia

Auditors

PKF Hacketts
Level 6, 10 Eagle Street
Brisbane, QLD 4000, Australia

Solicitors

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
Brisbane, QLD 4000, Australia

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Chairman's Letter

Dr Cherrell Hirst, AO
Chairman of the Board

26 October 2015

Dear Shareholders,

It has been a challenging year for Tissue Therapies. The year began with expectations that we would achieve CE mark approval and begin commercial activity in Germany and the UK. However as we have previously reported, the CHMP committee of the EMA determined that TIS' clinical data was inadequate for approval. This was a very disappointing outcome; an outcome that has resulted in significant restructuring and change within the business. We are focused and working together with energy and commitment.

Strategy

After significant data review and expert advice, we have taken what we believe to be the appropriate step of revising our regulatory strategy to seek approval for our lead product as a pharmaceutical in the USA, via the FDA. Although this is arguably a somewhat clearer route to approval, it will require further clinical development and will take more time.

However the Board and management are of the view that this strategy will maximize the commercial value of its wound healing product as it has the potential to be positioned as a broad-spectrum healing promoter for ulcers of all severity levels. It is our current understanding that the data required for FDA approval will also substantially meet the requirements for subsequent regulatory approval in Europe as a pharmaceutical.

The Board

Our ability to execute effectively and efficiently on this strategy is greatly enhanced by the appointment of Dr Christian (Chris) Behrenbruch who joined us as an Executive Director in October. With his significant experience in development stage biotech companies, Dr Behrenbruch will provide expertise and additional leadership to the management team.

The Board of 12 months ago has undergone considerable change with the retirement of Roger Clarke (May 2015) and Iain Ross (September 2015). In addition Dr Mel Bridges will retire at the close of the AGM on the 25th November. We express our sincere thanks to each of these directors for the considerable time and effort they have each given to TIS over the years of their appointment.

I assumed the role of Interim Chair in April 2015 and will continue as Chair working alongside Directors Mr Tim Hughes and Dr Chris Behrenbruch. Thus your company will have a focused and cost-effective board focused completely on executing the strategy which we believe will result in the repositioning of the Company, capable of achieving a durable performance for our Shareholders.

You will see from the Notice of Meeting and explanatory memorandum that we are proposing significant changes to the structure of Director's remuneration with the intention of dramatically reducing cash burn over the next 12 months. Since October 1, Director's cash remuneration is being held as a provision to be paid only following a successful capital raising.

The CEO

In April we announced that we would undertake a search for a CEO but to date we have not identified a sufficiently high-quality candidate whom we believe to be capable of generating the confidence of Shareholders in leading the recovery of your Company – this despite an international search. Our plan is to re-initiate the search once we overcome our immediate hurdles and when we can be confident of attracting an appropriately high-calibre individual to take this Company through to long-term success.

Current management

I would like to offer special thanks to our current management team. After a highly demanding 18 months during the EMA review process, they have continued to work tirelessly to prepare TIS for the next stage of its journey. Mr Nigel Johnson, as acting CEO, deserves a special mention for taking on this extended responsibility and doing a very capable job. Nigel will continue in this role working closely with Chris and we will drop the "acting" from his title.

Shareholders

Most importantly I want to thank you, our investors and shareholders, for your support over a number of years and your understanding of our current situation. We are committed to maintaining regular and open communication with you our shareholders as we re-build the Company. I hope we can count on your continuing support as we seek to raise TIS from its current position to deliver value to shareholders and, equally importantly, to deliver our product to the patients who will benefit from its use.

I am pleased to invite you to attend Tissue Therapies Limited's Annual General Meeting which will be held at 12.30pm on Wednesday, 25th November at the offices of McCullough Robertson, Level 11 Central Plaza Two, 66 Eagle Street, Brisbane, Queensland 4000.

If you are unable to attend the meeting, I invite you to participate by completing and returning the enclosed proxy form.

Yours sincerely

Dr Cherrell Hirst AO
Chairman

Chief Executive Officer's Letter

Mr Nigel Johnson
Chief Executive Officer

26 October 2015

Dear Shareholders,

The year to 30 June 2015 has been the most challenging in the Company's history, primarily due to the failed regulatory outcome with the European Medicine Agency (EMA). Although the open label VitroGro® trial data passed the assessment of the Notified Body we were unable to achieve sufficient comfort for the EMA Committee for Medicinal Products for Human Use (CHMP) to deliver a positive scientific opinion.

The underlying loss after tax of $11.2 million was driven by expenses associated with market readiness, as well as efforts to facilitate the regulatory review process. The Company also incurred a $4.1 million write-down of inventory as a consequence of the final EMA outcome. Expenditure in preparation for commercial launch was $1.2 million. This outcome is confronting and unsatisfactory.

Regulatory procedure

The year commenced with the submission of the Company's response to the CHMP's Day-120 List of Questions and the market anticipating an imminent launch. A number of the responses to the EMA were complex, and required further development of pharmaceutical quality/Chemistry Manufacturing and Control (CMC) or follow-up data for previously submitted studies. Full-year expenditure on these projects was $2.4 million, with $1.6 million capitalised in view of future economic benefits, and additional of $0.6 million remaining at 30 June 2015.

The main focus of CMC development was to address manufacturing consistency. Product-related variants (heterogeneity) commonly occur in the type of manufacturing systems used by the Company, and our processes were further characterised with additional analytical development. These crucial activities resolved major objections for quality and reflects investment that will benefit future product development. However, further manufacturing optimisation will still be required as we reposition VitroGro® to the FDA. Getting this right will also have a big impact on the potential for commercial/development partnerships in the future.

The Company underestimated the extent of clinical trials required for regulator engagement. The major weakness was the small size and non-comparative nature of the clinical database. Following a very detailed and constructive discussion with CHMP, cross-trial comparisons were undertaken to reinforce clinical risk-benefit. These investigations showed significantly better healing time for VitroGro® compared to standard care. Several publications will shortly appear, further validating the clinical opportunity for VitroGro®. Full-year expenditure was $0.6 million.

New focus

We have elected to pause development of VitroGro® as a medical device in Europe and instead focus on pharmaceutical development and the US FDA. We have reached this difficult decision after extensive engagement with experts and the EMA. We are determined to fully realise the significant clinical utility and commercial potential of the product.

A restructuring process is underway and a more FDA-centric approach has been taken to develop our products as a pharmaceutical company. We believe that robust clinical validation of efficacy is achievable and can be planned properly based on our experience to date. The relative time to develop a pharmaceutical product will be somewhat longer but also offers a potentially far greater value outcome for the Company and shareholders.

In June 2015, the Company greatly strengthened its commercial position by achieving ownership of its intellectual property (IP) through an assignment from Queensland University of Technology (QUT) – accomplished with the full support of QUT. As a result, the Company has absolute ownership of IP under five patent families greatly strengthening our commercial position.

Since April 2015, the overhead structure and non-essential expenditure has been reduced to the absolute minimum and as FY15 closes the cash burn rate includes:

- limited ongoing EMA-related commitments to CMC development that are also required for FDA applications; and
- production of active pharmaceutical ingredient (API) for clinical trials comprising $0.4 million for the year, with $0.5 million remaining at 30 June 2015.

Although partnering remains an important commercial objective, we realistically have at least 12 – 18 months of significant FDA-directed clinical development before the lead asset is sufficiently de-risked to attract the commercial interest it truly deserves.

I would like to sincerely thank our team and shareholders for their support. We are committed to improving the consistency and transparency of our communications with investors. Although we have experienced a major setback, a positive outcome is achievable with your continued support. I look forward to reporting meaningful progress during FY16

Yours Sincerely,

Nigel Johnson
Chief Executive Officer

Your Directors present their report on Tissue Therapies Limited ("the Company") and Controlled Entities, ("the Group") for the year ended 30 June 2015.

Directors

The names of Directors at any time during or since the end of the year, and their qualifications are detailed below:

Cherrell Hirst AO – Interim Chairman (appointed 7 April 2015), Non-Executive Director (appointed 30 June 2009)

Qualifications	—	Bachelor of Medicine, Bachelor of Surgery, Bachelor of Education Studies Honorary Doctorates from Queensland University of Technology, Griffith University and Southern Cross University Fellow of the Australian Institute of Company Directors Fellow of the Academy of Technological Sciences and Engineering
Experience	—	Chairman of ImpediMed Limited and Director of Medibank Private Limited, the Gold Coast Hospital and Health Service, RSL Care Ltd and Hatchtech Ltd. Chairman, Advisory Board, Institute of Molecular Biosciences, University of Queensland. Distinguished clinical career in the detection and treatment of breast cancer and significant experience as a director of commercial, government and not-for-profit organisations.
Former ASX entity Directorships	—	Telesso Technologies Limited (October 2012 to October 2013)
Special Responsibilities	—	Chairman of Remuneration Committee, Member of the Audit and Risk Management Committee and Nomination Committee, and appointed as Interim Chairman 7 April 2015
Interest in Shares and Options	—	333,334 Ordinary Shares

Melvyn Bridges – Non-Executive Director (appointed 12 March 2009)

Qualifications	—	Bachelor of Science (Chemistry) Honorary Doctorate from Queensland University of Technology Fellow of the Australian Institute of Company Directors
Experience	—	Extensive experience as a CEO and Company Director in healthcare, agricultural technology, drug development, pathology, diagnostics and medical devices. Related experience in retail. Has successfully raised in excess of $300 million investment capital in the healthcare/biotech sector and been directly involved in over $1 billion in M&A and related transactions. Chairman of Anatara Lifesciences Ltd and Director of ALS Limited (formerly Campbell Brothers Limited).
Former ASX entity Directorships	—	Benitec BioPharma Limited (October 2007 to June 2014), ImpediMed Limited (September 1999 to November 2013), Alchemia Limited (October 2003 to July 2013), Genetic Technologies Limited (December 2011 to November 2012), and Leaf Energy Limited (August 2010 to September 2012).
Special Responsibilities	—	Chairman of the Audit and Risk Management Committee, Member of Remuneration Committee and Nomination Committee
Interest in Shares and Options	—	427,033 Ordinary Shares

Iain Ross – Non-Executive Director (appointed 25 May 2012)

Qualifications	—	Bachelor of Science (Hons) Biochemistry Chartered Director
Experience	—	Chairman of Premier Veterinary Group Plc (formerly Ark Therapeutics Plc (LSE)), Biomer Technology Limited and Pharminox Limited; Director of Amarantus Biosciences Holdings inc, Benitec BioPharma Limited, Anatara Lifesciences Limited and Yellow Cross Limited. Mr Ross is also a Vice Chairman and Trustee of Royal Holloway, London University.
Former ASX entity Directorships	—	None
Special Responsibilities	—	Member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee
Interest in Shares and Options	—	66,000 Ordinary Shares

Tim Hughes – Non-Executive Director (appointed 1 November 2014)

Qualifications	—	Bachelor of Science (Hons) Bachelor of Arts (Hons) in Economics Master of Natural Resources
Experience	—	Director of Value Capital Management Pty Limited and South Endeavour Pty Limited Previously Director of Rothschild Australia Limited (1989 – 1995)
Former ASX entity Directorships	—	Alchemia Ltd (July 2013 to July 2015)
Special Responsibilities	—	Member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee
Interest in Shares and Options	—	Nil

Roger Clarke – previous Chairman (appointed 6 November 2003, resigned 31 May 2015)

Qualifications	—	Bachelor of Commerce Chartered Accountant
Experience	—	Chairman of Board of Advice, Morgans Corporate Limited (formerly RBS Morgans Limited), and Director of Maverick Drilling and Exploration Limited
Former ASX entity Directorships	—	NextDC Limited (June 2010 to April 2014), Coalbank Limited (formerly Lodestone Energy Limited) (September 2010 to November 2013), Byron Energy Ltd (formerly Trojan Equity Limited) (March 2005 to March 2013)
Special Responsibilities	—	Chairman of the Nomination Committee, Member of the Audit and Risk Management Committee and Remuneration Committee
Interest in Shares and Options	—	6,000,000 Ordinary Shares

Steven Mercer – previous Chief Executive Officer and Executive Director (appointed 10 May 2006, resigned 7 April 2015)

Qualifications	—	Bachelor of Medical Science Bachelor of Medicine, Bachelor of Surgery Fellow of the Australian Institute of Management Fellow of the Australian Institute of Company Directors Registered Medical Practitioner
Experience	—	Managing Director of Mercy Tissue Engineering, senior positions in Smith & Nephew Surgical (Australia and New Zealand) and IBM Health Industry Centre in Australia and New York.
Former ASX entity Directorships	—	Nil
Special Responsibilities	—	Chief Executive Officer, and appointed Executive Director on 10 May 2006
Interest in Shares and Options	—	1,180,000 Ordinary Shares

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Drummond McKenzie – Company Secretary (resigned 12 August 2015)

Qualifications	—	Bachelor of Science (Economics) (Hons.) Fellow of the Institute of Chartered Accountants Fellow of the Institute of Chartered Secretaries
Experience	—	Over 15 years experience in the financial management and administration of public companies

Principal activities

During the year the principal activities of the Group consisted of the research, development and commercialisation of the Company's exclusive international intellectual property in wound healing and tissue regeneration.

There were no significant changes in the nature of the Group's principal activities during the year.

Operating results

The loss of the Group after tax amounted to $11,218,514 (2014: loss $6,829,591).

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Review of operations

During the 2014-15 financial year:

Tissue Therapies recorded an after-tax loss of $11,218,514. This loss includes non-cash expenses of $2,684,228 for provision of impairment of the inventory of VitroGro® ECM work-in-progress, $1,407,603 for impairment of VitroGro® ECM and $67,901 for amortisation of VitroGro® production cells and reference protein.

Net assets decreased by $3,534,529 to $13,325,214 and at 30 June 2015 the Group had cash resources of $5,578,730.

During the 2014-15 year, the Company was focused on pursuing a scientific opinion on the quality, safety and clinical benefit/risk profile of the ancillary medicinal component (IGF-I) of VitroGro® ECM in order to gain CE mark certification and consequent approval for sales of VitroGro® in Europe. The scientific assessment was conducted by the European Medicines Agency (EMA) Committee for Medicinal Products for Human Use (CHMP) and commenced on 25th September 2013. The Company lodged responses to all questions raised by the CHMP and in the later stages of the procedure there were delays to the restart of the procedure and the final CHMP meeting from December 2014 to March 2015 (**ASX: TIS** Date of Final EMA Committee

Assessment Determined, 4 November 2014; Acceptance Date of 180-Day EMA Response Deferred by 1 Month, 21 January 2015).

A formal oral explanation to the CHMP was held in London on 25th March 2015 where the CHMP advised the Company that it required additional data regarding the IGF-I component of VitroGro® ECM and an appropriate clinical trial to assess comparative safety. This led to a withdrawal of the application for a scientific opinion in respect of VitroGro® ECM, but not the CE Mark application (**ASX: TIS** Update on CE Mark for VitroGro® ECM, 26 March 2015).

In support of the EMA procedure, matched patient cross-trial comparisons where conducted. These studies demonstrated significantly faster healing rates for patients treated VitroGro® ECM compared to standard care alone. In terms of safety, the spectrum of adverse events associated with VitroGro® ECM was similar to patients treated only with standard care. These studies also formed part of the oral explanation.

The Company arranged to attend a meeting with the Scientific Advice Working Party of the CHMP (SAWP) to agree on a pre-clinical plan to demonstrate the therapeutic effects of the IGF-I component and a clinical plan to demonstrate comparative safety. The meeting was held on 6th May 2015 and formal confirmation was received that the SAWP had accepted the Company's revised plan for the pre- clinical and clinical development of VitroGro® ECM (**ASX: TIS** EMA "Final Advice Letter", 1 June 2015). In this announcement the Company provided comprehensive information to shareholders regarding the viable pathway to regulatory approval as a device in Europe agreed with the SAWP.

Significant changes in key personnel in the Company occurred in April 2015 with the resignation of Steven Mercer as CEO and Managing Director and of Roger Clarke as Chairman but remaining as a Director until 31 May 2015. Nigel Johnson was appointed Acting CEO on 7th April 2015 and Cherrell Hirst as Interim Chairman on the same date (**ASX: TIS** Board and Management Changes, 7 April 2015).

The Company also renegotiated the arrangements with Tissue Therapies Limited's founder and previous consultant CSO, Prof Zee Upton, who has taken up a role at the Agency for Science, Technology and Research in Singapore (**ASX: TIS** Consulting CSO, Changing Arrangements, 29 May, 2015).

In order to conserve capital and at the same time generate a management team with appropriate capability to take the Company through this difficult period, a number of consultants and employees have been let go and others have resigned. Thus the resultant team as at the writing of this report is a small but very focused team determined that the Company deliver on each of the milestones necessary to achieve approval.

Significant Changes in State of Affairs

In February 2015, the Group conducted a successful placement of 19,047,642 ordinary shares with institutional and sophisticated investors at $0.21 per share to raise $4,000,005. In March 2015, the Group issued 17,558,417 ordinary shares under a Non- renounceable Entitlement Offer at $0.21 per share to raise $3,687,267 and a further 2,719,749 ordinary shares at $0.21 per share to existing institutional investors to raise $571,147 before issue costs.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters Subsequent to the End of the Financial Year

The Company entered into a Deed of Assignment of Intellectual Property with Queensland University of Technology ("QUT") on 13th July 2015, under which QUT has assigned the Intellectual Property to the Company. (**ASX: TIS** QUT Transfers Ownership of IP to Tissue Therapies, 13 July 2015).

On 22nd July 2015, the Company announced that its long term CFO and Company Secretary, Mr Drummond McKenzie, has resigned to retire effective 12th August 2015. (**ASX: TIS** CFO and Company Secretary Retires, 22 July 2015). Saskia Jo has taken over the role of Company Secretary as of 12th August 2015.

On 28th July 2015, the Company announced a change in strategy. Under the new strategy, the Company will develop VitroGro® ECM as a pharmaceutical worldwide. This strategy will extend patent terms, reduces regulatory approval risk, and provides the opportunity to reposition VitroGro® ECM as a broad spectrum healing promoter for ulcers of all severity. (**ASX: TIS** Change in Strategy, 28 July 2015).

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future Developments, Prospects and Business Strategies

The Board announced a decision to follow a strategy of seeking approval in both the USA and Europe as a pharmaceutical on the basis that whilst this was a longer pathway to market it provided greater regulatory certainty and was therefore of lesser risk (**ASX: TIS** Change in Strategy - Development of VitroGro® ECM as a Pharmaceutical Worldwide, 28 July 2015).

The first step in this process is a meeting with FDA for guidance on the development and review of VitroGro® ECM and this is being sought as a priority. Subject to FDA guidance, the next steps after the regulatory meeting are expected to include:

- Manufacturing for and execution of a human dose response study. The dose response study is anticipated to require around 12 months to complete. While this study would be commenced as soon as possible, subject to FDA guidance and manufacturing it may not commence until Q1 CY2016.
- A subsequent meeting with the regulator following the completion of the dose-response study.
- Manufacturing of VitroGro® for the selected dose and execution in parallel of two adaptive efficacy studies in the indications of venous leg ulcers and diabetic foot ulcers. The efficacy studies are expected to require 18 months to complete.
- Assuming satisfactory progress, the Company would be in a position to file a New Drug Application for approval in 2H CY2018.
- In parallel with the aforementioned milestones smaller additional supporting studies will be required including biological characterisation and stability of the protein.

Further information regarding the costs of this program will be provided following the meeting with FDA and external validation of the costs.

The Company has commenced searching for a development partner. Partnering may also provide an opportunity to develop other valuable opportunities for example, pressure ulcers, burns, skin tears such as pre-tibial lacerations, and possibly in ophthalmology and veterinary indications as well as other areas.

Workforce Diversity

The Board recognises that workforce diversity is fundamental to the sustainability of our business. Our Group Diversity Policy ensures a strong culture of diversity is established where each employee is respected for whom they are and valued for their skills and experience.

	% of Women	
	30 June 2015	30 June 2014
The Group		
Board[1]	25%	25%
Management	33%	33%
Total	30%	31%

[1] Non-executive Directors only

Options

At 30 June 2015, there are no options outstanding and there were no ordinary shares issued on the exercise of options. 5,490,000 options lapsed and expired during the year ended 30 June 2015 (refer Note 18). However, it is the intention of the Board to issue performance-based options to management personnel as an incentive to achieving key company milestones during the next few years.

Under the Company Employee Equity Option Plan, option holders do not have any rights to participate in any issues of ordinary shares or other interests in the Company or any other entity.

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2015 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The remuneration report details the remuneration arrangement for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director, whether executive or otherwise.

For the purposes of this report, the term "Director" refers to Non-executive Directors (NEDs) only. "KMP" refers to Executive Directors and other key management personnel.

The Company's Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer (CEO) and others involved in the operation of the Group.

The Board assesses the appropriateness of the nature and amount of remuneration of the Directors and senior managers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Committee

The objective of the Remuneration Committee is to assist the Board of Tissue Therapies Limited in fulfilling its duties and responsibilities by reviewing, advising and making recommendations to the Board on:

- reviewing and implementing appropriate and relevant remuneration policies and practices that fairly and responsibly having regard to performance, the law and principles of good corporate governance;
- recommending to the Board remuneration for Non-executive Directors;
- recommending to the Board remuneration arrangements for the Executive Director and other key management personnel; and
- developing and overseeing the implementation of Company equity based plans or other incentive scheme.

Members of the Committee during the financial year have been the following independent Non-executive Directors:

- Cherrell Hirst (Chair);
- Mel Bridges;
- Iain Ross;
- Tim Hughes (appointed a Director on 1 November 2014); and
- Roger Clarke (resigned 31 May 2015).

Executive Director and other Key Management Personnel Remuneration

Objective: The Company aims to reward the Executive Directors and other key management personnel with remuneration commensurate with their position and responsibilities.

Structure: During 2014/15 KMP remuneration consisted of a fixed remuneration only for all employees except the CEO whose remuneration included a performance based STI (to be paid in cash) and a performance based LTI (to be paid in 2 year options) and the CFO and Director of Operations each of whom were offered a performance based LTI (to be paid in 2 year options). However from July 2015, this will change such that all management personnel will be eligible for both an STI and LTI based on relevant milestones KPIs as an incentive for performance and a retention strategy.

Chief Executive Officer

Objective: The Company aims to reward the CEO with remuneration commensurate with his position and responsibilities.

Mr Nigel Johnson (appointed 7 April 2015 as Acting CEO)

Structure: Mr Johnson is currently employed under contract, which commenced on 27 September 2004. His current total remuneration package is $219,315 per annum. Mr Johnson has not to date received any additional remuneration as Acting CEO, however the intention is that he will be awarded an appropriate STI and LTI package in addition to his current salary from 1 July 2015. He is a long term employee with the Company (since 2004) and whilst he has been remunerated since the beginning of the year, the remuneration in the table on page 12 is only for the period since his appointment as Acting CEO up to 30 June 2015.

Dr Steven Mercer (appointed 10 May 2006, resigned 7 April 2015)

Structure: Dr Steven Mercer resigned from the Company on 7 April 2015. He was employed under contract, which commenced on 27 September 2004. Dr Mercer's employment contract with the Company encompassed a total remuneration package of $344,638 per annum. Dr Mercer did not receive additional remuneration above his CEO salary to act as an Executive Director.

Dr Mercer was awarded 400,000 performance based options in 2007 in lieu of a cash bonus. These options vested on the achievement of a series of specific performance milestones and had an exercise price of 64c within two years of each tranche of options vesting. At 30 June 2015, all of these options had lapsed.

<u>July 2013 – June 2014</u>

Dr Mercer was awarded a grant of 500,000 options in October 2013. These options issued were to vest upon the achievement of two key performance indicators (KPI's) as follows:

- 175,000 options will vest upon approval being obtained by 8th November 2013 from the US Food and Drug Administration (FDA) for the Company to commence its venous leg ulcer trial; and
- 325,000 options will vest upon CE Mark approval being granted by 29th August 2014 for VitroGro® ECM to allow the start of sales throughout the European Union.

The exercise price of these options were to be calculated at a 15% premium to the 10-trading day volume-weighted average price of Tissue Therapies ordinary shares immediately prior to the achievement of the applicable KPI. All of these options had lapsed by the end of the financial year as they failed to meet the vesting conditions.

In June 2014 Dr Mercer was awarded a performance-based cash bonus of $35,000. Achievement of this bonus was dependent on obtaining the agreement of the EMA to proceed with the review necessary for the company to be awarded CE Mark, and for obtaining in November 2013, the (conditional) approval of the FDA for a venous leg ulcer trial. Dr Mercer's contract allowed for a cash bonus of up to 25% of his salary package, the cash bonus awarded represented 11% of his salary package.

<u>July 2014 – June 2015</u>

In October 2014, Dr Mercer was awarded a further 480,000 options. These options issued vested upon only the achievement of four following key performance indicators (KPIs):

- 160,000 options – on a favourable review opinion being obtained from the European Medicines Agency (EMA) by 30 November 2014;
- 160,000 options – on CE Mark approval being granted for VitroGro® ECM, to allow the start of sales throughout the European Union by 1 December 2014;
- 80,000 options – on achieving sales in United Kingdom of $0.5m by 30 June 2015; and
- 80,000 options – on achieving sales in Germany of $0.7m by 30 June 2015.

The exercise price of these options were to be calculated at a 15% premium to the 10-trading day volume-weighted average price of Tissue Therapies ordinary shares immediately prior to the achievement of the applicable KPI. All of these options had lapsed by the end of the financial year as the vesting conditions were not met.

Company Secretary

Objective: The Company aims to reward the Company Secretary with remuneration commensurate with his position and responsibilities.

Mr Drummond McKenzie (appointed 26 September 2003, resigned 12 August 2015)

Structure: The Company Secretary is employed under contract. The current contract commenced on 5 September 2011. Mr McKenzie's employment contract with the Company encompasses a current total remuneration package of $250,646 per annum. For the financial year ended 30 June 2015, Mr McKenzie was working part time and his salary for the year was consistent per the table on page 12.

In September 2013, 250,000 options were awarded to Mr McKenzie. These options issued were to vest only upon the achievement of two key performance indicators (KPI's):

- 125,000 options only vest upon approval being obtained by 8th November 2013 from the US Food and Drug Administration (FDA) for the Company to commence its venous leg ulcer trial;
- 125,000 options only vest upon CE Mark approval being granted by 29th August 2014 for VitroGro® ECM to allow the start of sales throughout the European Union.

The exercise price of these options were to be calculated at a 15% premium to the 10-trading day volume-weighted average price of Tissue Therapies ordinary shares immediately prior to the achievement of the applicable KPI. All of these options had lapsed by the end of that financial year as they failed to meet the vesting conditions.

In August 2014, Mr McKenzie was awarded a further 360,000 options. These options issued vest only upon achievement of the five following key performance indicators (KPIs):

- 90,000 options – on all accounting systems ready for sales by 29 September 2014;
- 90,000 options – on all inventory data links ready for sales by 29 September 2014;

- 90,000 options – on CE Mark approval being granted for VitroGro® ECM, to allow the start of sales throughout the European Union by 1 December 2014;
- 45,000 options – on achieving sales in United Kingdom of $0.5m by 30 June 2015; and
- 45,000 options – on achieving sales in Germany of $0.7m by 30 June 2015.

The exercise price of these options were to be calculated at a 15% premium to the 10-trading day volume-weighted average price of Tissue Therapies ordinary shares immediately prior to the achievement of the applicable KPI. All of these options had lapsed by the end of the financial year, as the vesting conditions were not met.

Non-executive Director Remuneration

Objective: The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre at a cost that is acceptable to shareholders.

Structure: The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 28 November 2011 when shareholders approved an aggregate annual remuneration pool of $400,000. The total Non-executive Director remuneration of Tissue Therapies Limited for the year ended 30 June 2015 utilised $325,192 of this authorised amount.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned among Directors is reviewed annually. Each Director receives an annual fee for being a Director of the Company, which reflect their obligations and responsibilities. No incentive payments are included. Non-executive Directors' fees are reviewed regularly by the Board.

Details of Remuneration

Details of the nature and amount of each element of the emoluments to Directors and other key management personnel of Tissue Therapies Limited are set out as follows.

Remuneration for the year ended 30 June 2015

	Primary		Post Employment		Share-based payment			
	Cash Salary and fees	Bonus / Non-monetary benefits	Super-annuation	Other	Equity	Options	Total	Performance related
	$	$	$	$	$	$	$	%
Non-Executive Directors								
C Hirst (Chairman) (i)	63,609	-	6,043	-	-	-	69,652	N/A
M Bridges	65,449	-	-	-	-	-	65,449	N/A
I Ross	65,449	-	-	-	-	-	65,449	N/A
T Hughes (ii)	39,847	-	3,786	-	-	-	43,633	N/A
R Clarke (iii)	73,981	-	7,028	-	-	-	81,009	N/A
	308,335	**-**	**16,857**	**-**	**-**	**-**	**325,192**	N/A
Executive Directors								
S Mercer (iv)	274,137	-	26,043	255,588	-	-	555,768	-
	274,137	**-**	**26,043**	**255,588**	**-**	**-**	**555,768**	-
Other KMPs								
N Johnson (v)	46,734	-	4,440	-	-	-	51,174	-
D McKenzie	175,490	-	16,672	-	-	-	192,162	-
	222,224	**-**	**21,112**	**-**	**-**	**-**	**243,336**	**-**
Total	**804,696**	-	**64,012**	**255,588**	**-**	**-**	**1,124,296**	**-**

(i) Dr Hirst was appointed as Interim Chairman on 7 April 2015.
(ii) Mr Hughes was appointed on 1 November 2014.
(iii) Mr Clarke was the previous Chairman, resigned on 31 May 2015.
(iv) Dr Mercer resigned on 7 April 2015. The amount in "Other" of $255,588 represents $57,440 for employment termination payment and $198,148 for annual and long service leave.
(v) Mr Johnson was appointed as Acting CEO on 7 April 2015. The remuneration above is only for the period since his appointment as Acting CEO up to 30 June 2015.

Remuneration for the year ended 30 June 2014

	Primary		Post Employment		Share-based payment			
	Cash Salary and fees	Bonus / Non-monetary benefits	Super-annuation	Other	Equity	Options	Total	Performance related
	$	$	$	$	$	$	$	%
Non-Executive Directors								
R Clarke (Chairman)	80,000	-	7,400	-	-	-	87,400	N/A
M Bridges	62,950	-	-	-	-	-	62,950	N/A
I Ross	63,092	-	-	-	-	-	63,092	N/A
C Hirst	57,750	-	5,342	-	-	-	63,092	N/A
	263,792	**-**	**12,742**	**-**	**-**	**-**	**276,534**	N/A
Executive Directors								
S Mercer	299,750	35,000	27,727	-	-	61,913	424,390	29.6%
	299,750	**35,000**	**27,727**	**-**	**-**	**61,913**	**424,390**	**29.6%**
Other KMPs								
D McKenzie	174,400	-	16,132	-	-	23,813	214,345	12.5%
	174,400	**-**	**16,132**	**-**	**-**	**23,813**	**214,345**	**12.5%**
Total	**737,942**	**35,000**	**56,601**	**-**	**-**	**85,726**	**915,269**	**10.3%**

Options issued to Employees and Key Management Personnel

During the year there were 3,000,000 (2014: 2,650,000) options issued under the Company's Equity Option Plan to employees and key management personnel. Included in these options were options granted to Steven Mercer of 480,000 options, Nigel Johnson of 360,000 options and Drummond McKenzie of 360,000 options. All of these options have lapsed by the end of the financial year as the vesting conditions were not met and so no expense was recognized. For the 2014 year, $266,700 of option expense was included in the Statement of Profit or Loss and Other Comprehensive Income.

Option Holdings of Directors and Key Management Personnel

	Balance 01.07.2014	Granted as compensation	Options exercised	Options expired/ lapsed	Balance 30.06.2015	Total Vested 30.06.2015	Total Exercisable 30.06.2015
Dr C Hirst (i)	-	-	-	-	-	-	-
Dr M Bridges	-	-	-	-	-	-	-
Mr I Ross	-	-	-	-	-	-	-
Mr T Hughes (ii)	-	-	-	-	-	-	-
Mr R Clarke (iii)	-	-	-	-	-	-	-
Dr S Mercer (iv)	465,000	480,000	-	945,000	-	-	-
Mr N Johnson (v)	125,000	360,000	-	485,000	-	-	-
Mr D McKenzie	125,000	360,000	-	485,000	-	-	-
Total	**715,000**	**1,200,000**	**-**	**1,915,000**	**-**	**-**	**-**

(i) Dr Hirst was appointed as Interim Chairman on 7 April 2015
(ii) Mr Hughes was appointed on 1 November 2014
(iii) Mr Clarke was the previous Chairman, resigned on 31 May 2015
(iv) Dr Mercer was the previous CEO, resigned on 7 April 2015
(v) Mr N Johnson was appointed as Acting CEO on 7 April 2015

Shareholdings of Directors and Key Management Personnel

	Balance 01.07.2014	Movement of shareholdings	Balance 30.06.2015
Dr C Hirst (i)	312,500	20,834*	333,334
Dr M Bridges	400,342	26,691*	427,033
Mr I Ross	66,000	-	66,000
Mr T Hughes (ii)	-	-	-
Mr R Clarke (iii)	5,750,000	250,000*	6,000,000
Dr S Mercer (iv)	1,175,000	5,000*	1,180,000
Mr N Johnson (v)	16,000	(16,000)	-
Mr D McKenzie	527,778	35,186*	562,964
Total	**8,247,620**	**321,711**	**8,569,331**

(i) Dr Hirst was appointed as Interim Chairman on 7 April 2015
(ii) Mr Hughes was appointed on 1 November 2014
(iii) Mr Clarke was the previous Chairman, resigned on 31 May 2015
(iv) Dr Mercer was the previous CEO, resigned on 7 April 2015
(v) Mr N Johnson was appointed as Acting CEO on 7 April 2015

* acquired through Non-Renounceable Entitlement Offer in March 2015

Directors' and Officers' Indemnification

The Company has indemnified Directors and Officers to the maximum extent permitted by law, against any liability incurred by them as, or by virtue of their holding office as and acting in the capacity of, an officer of the Company.

Insurance premiums have been paid during the year in respect of a contract insuring Directors and Officers against legal costs incurred in defending proceedings against them. Details of the nature of liabilities covered or the amount of premiums paid are not disclosed as such disclosure is prohibited in the terms of the contract.

Directors' Meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2015, and the number of meetings attended by each Director were:

	Directors' Meetings		**Audit and Risk Management Committee**		**Remuneration Committee**		**Nomination Committee**	
	Eligible to Attend	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
C Hirst	11	11	2	2	1	1	1	1
M Bridges	11	11	2	2	1	1	1	1
I Ross	11	11	2	2	1	1	1	1
T Hughes	8	8	1	1	1	1	1	1
R Clarke	10	9	2	1	-	-	-	-
S Mercer	8	7	n/a	n/a	n/a	n/a	n/a	n/a

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Proceedings on Behalf of the Company

No proceedings have been brought, or intervened in, on behalf of the company with leave of the Court under s237 of the *Corporations Act 2001.*

Auditor

PKF Hacketts Audit continued to be the Company's auditor.

There is no former partner or director of PKF Hacketts Audit who is or was at any time during the year an officer of the Company.

Non-audit Services

The Board of Directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid / payable to the external auditors or related entities of the external auditors during the year ended 30 June 2015:

Non-audit services	**30 June 2015 $**	**30 June 2014 $**
Review of regulatory returns and due diligence services	13,530	14,300

Auditor's Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

Cherrell Hirst
Interim Chairman
Brisbane, 21 August 2015

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to the Directors of Tissue Therapies Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(b) any applicable code of professional conduct in relation to the audit.

PKF Hacketts

PKF Hacketts Audit

Shaun Lindemann
Partner

Brisbane, 21 August 2015

TISSUE THERAPIES LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Note	CONSOLIDATED 30 June 2015 $	30 June 2014 $
Continuing operations			
Other income	2	526,177	746,905
		526,177	746,905
Research and development expenses		(599,822)	(1,001,483)
Clinical trials expenses		(291,171)	(16,373)
Occupancy expenses		(262,544)	(249,264)
Marketing and business development		(295,193)	(266,337)
Regulatory approvals		(1,638,501)	(846,104)
Intellectual property		(318,793)	(401,387)
Sales and distribution		(53,329)	(130,266)
Transport and logistics		(123,964)	(174,028)
Amortisation of non-current inventory		(67,901)	(67,901)
Impairment of inventory		(4,091,831)	-
Employment expenses		(2,018,601)	(1,951,027)
Consultants		(807,682)	(904,805)
Administration expenses		(805,598)	(623,981)
Option expenses		-	(266,700)
Depreciation		(80,650)	(83,499)
Finance costs		(16,433)	(12,490)
Loss on foreign exchange		(70,112)	(388,902)
Other expenses		(189,937)	(178,150)
Loss before income tax	3	(11,205,885)	(6,815,792)
Income tax expense	4(a)	(12,629)	(13,799)
Net loss from continuing operations		(11,218,514)	(6,829,591)
Other comprehensive income			
Items that may be reclassified to profit or loss			
- Exchange differences on translation of foreign operations		(35,882)	(9,210)
Other comprehensive income for the year, net of tax		(35,882)	(9,210)
Total comprehensive income for the year		(11,254,396)	(6,838,801)
Net loss attributable to members of the Company		(11,218,514)	(6,829,591)
Total comprehensive income attributable to members of the Company		(11,254,396)	(6,838,801)
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	25	(4.03)	(2.82)
Diluted earnings per share	25	(4.03)	(2.82)

The accompanying notes form part of these financial statements

TISSUE THERAPIES LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	CONSOLIDATED 30 June 2015 $	30 June 2014 Restated* $
CURRENT ASSETS			
Cash and cash equivalents	5	5,578,730	7,077,387
Trade and other receivables	6	120,426	184,257
Incentive – R&D claim	2	355,122	404,979
Inventories	7(a)	648,611	1,529,840
Other assets	8(a)	111,327	322,540
TOTAL CURRENT ASSETS		6,814,216	9,519,003
NON-CURRENT ASSETS			
Inventories	7(b)	7,882,188	8,728,840
Property, plant and equipment	9	165,864	241,072
Intangible assets	10	342,250	342,250
Other assets	8(b)	1,525	1,525
TOTAL NON-CURRENT ASSETS		8,391,827	9,313,687
TOTAL ASSETS		15,206,043	18,832,690
CURRENT LIABILITIES			
Trade and other payables	11	1,618,590	1,234,849
Current tax liabilities	4(d)	11,804	12,055
Provisions	12(a)	145,435	196,950
Derivative financial instruments	17	-	302,781
Other liabilities	13(a)	29,964	29,964
TOTAL CURRENT LIABILITIES		1,805,793	1,776,599
NON-CURRENT LIABILITIES			
Provisions	12(b)	-	91,349
Other liabilities	13(b)	75,036	104,999
TOTAL NON-CURRENT LIABILITIES		75,036	196,348
TOTAL LIABILITIES		1,880,829	1,972,947
NET ASSETS		13,325,214	16,859,743
EQUITY			
Contributed equity	14(a)	66,028,808	58,308,941
Reserves	15	(55,885)	415,166
Accumulated losses		(52,647,709)	(41,864,364)
TOTAL EQUITY		13,325,214	16,859,743

*Refer note 1(j)

The accompanying notes form part of these financial statements.

TISSUE THERAPIES LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

CONSOLIDATED		Reserves			
	Share Capital $	Option Reserve $	Foreign Exchange Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2013	48,845,335	168,469	(10,793)	(35,034,773)	13,968,238
Comprehensive income:					
- Loss for the year	-	-	-	(6,829,591)	(6,829,591)
- Other comprehensive income for the year	-	-	(9,210)	-	(9,210)
Total comprehensive income for the year	-	-	(9,210)	(6,829,591)	(6,838,801)
Transactions with owners in their capacity as owners, and other transfers:					
- Contributions of equity	10,267,447	-	-	-	10,267,447
- Transaction costs	(803,841)	-	-	-	(803,841)
- Employee share options	-	266,700	-	-	266,700
- Option reserve transferred	-	-	-	-	-
Total transactions with owners and other transfers	9,463,606	266,700	-	-	9,730,306
Balance at 30 June 2014	58,308,941	435,169	(20,003)	(41,864,364)	16,859,743
Comprehensive income:					
- Loss for the year	-	-	-	(11,218,514)	(11,218,514)
- Other comprehensive income for the year	-	-	(35,882)	-	(35,882)
Total comprehensive income for the year	-	-	(35,882)	(11,218,514)	(11,254,396)
Transactions with owners in their capacity as owners, and other transfers:					
- Contributions of equity	8,390,660	-	-	-	8,390,660
- Transaction costs	(670,793)	-	-	-	(670,793)
- Option reserve transferred	-	(435,169)	-	435,169	-
Total transactions with owners and other transfers	7,719,867	(435,169)	-	435,169	7,719,867
Balance at 30 June 2015	66,028,808	-	(55,885)	(52,647,709)	13,325,214

The accompanying notes form part of these financial statements.

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

	Note	CONSOLIDATED 30 June 2015 $	30 June 2014 $
CASH FLOW FROM OPERATING ACTIVITIES			
Payments for research, clinical trials and regulatory matters		(1,823,374)	(1,930,453)
Payments to suppliers and employees		(7,827,003)	(5,738,298)
Interest received		230,286	185,208
Finance costs paid		(16,433)	(12,490)
Income tax received/(paid)		391,564	421,670
Net cash provided by/(used in) operating activities	24(b)	(9,044,960)	(7,074,363)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(5,442)	(17,289)
Net cash provided by/(used in) investing activities		(5,442)	(17,289)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		8,258,420	10,119,665
Costs of share issue		(670,793)	(803,841)
Net cash provided by/(used in) financing activities		7,587,627	9,315,824
Net increase / (decrease) in cash held		(1,462,775)	2,224,172
Cash and cash equivalents at beginning of year		7,077,387	4,862,425
Effects of exchange rate fluctuations on cash held		(35,882)	(9,210)
Cash and cash equivalents at end of year	24(a)	5,578,730	7,077,387

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of Tissue Therapies Limited (the "Company") and Controlled Entities (the "Group"). The Company was incorporated and is domiciled in Australia.

The separate financial statements of the parent entity, Tissue Therapies Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 21 August 2015 by the Board of Directors.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Significant accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cashflow information, the financial report has been prepared on an accruals basis, based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Tissue Therapies Limited, and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 28.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

b. Income Tax

The income tax expense/(income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense/(income) charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Income Tax (Continued)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

c. Research and Development expenditure

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The Group has adopted the profit and loss approach to accounting for research and development tax offsets under the revised regime, pursuant to *AASB 120 Accounting for Government Grant and Disclosure of Government Assistance*. Under this approach the grant or incentive is recorded as part of profit and loss under the heading of 'Other Income'. Prior year comparative figures have been adjusted to conform to changes in presentation for the current financial year.

d. Intangibles

Licenses and Patents

Licenses and patents are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Licenses and patents are amortised over their useful life, which has been assessed as ten years from the date the intangible asset is in its intended use.

e. Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits with consideration given to employees wages increases and the probability that the employees may satisfy vesting requirements. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Equity settled Compensation

The Company operates equity-settled share-based payment employee share and option schemes (refer Note 18). The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

g. Revenue recognition

Revenues are recognised at fair value of the consideration received net of any applicable taxes.

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

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

h. 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 Taxation 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 the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or payables in the Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

i. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The expected useful life for plant and equipment is 3 to 10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

j. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Change in Accounting Policy for Inventory

The Company has classified as non-current work-in-progress, the concentrated VitroGro® ECM protein and related manufacturing development and quality management costs expected to be realised after 12 months. Management estimate that due to the circumstances outlined in Note 1(r), this concentrated VitroGro® ECM protein, and related manufacturing development and quality management cost, will not be utilised in the production of VitroGro® ECM final product in production batches within the next 12 months. Existing stocks of VitroGro® ECM production cells and reference protein previously disclosed as non-current are also classified as non-current WIP to the extent that it is not expected to be utilised within the next 12 months.

The concentrated VitroGro® ECM protein and related manufacturing development and quality management cost expected to be utilised in the production of VitroGro® ECM final product in the next 12 months continues to be classified as current work-in-progress.

As required by AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', this change in accounting policy has been applied retrospectively and, as a consequence adjustments were recognised in the comparative Statement of Financial Position as at 30 June 2014.

The impact of this change in the accounting policy on individual line items in the consolidated Statement of Financial Position can be summarised as follows.

	CONSOLIDATED		
	30 June 2014 Previously stated	**Increase/ (Decrease)**	**30 June 2014 Restated**
	$	**$**	**$**
Current assets			
Inventories	10,088,929	(8,559,089)	1,529,840
Total current assets	18,078,092	(8,559,089)	9,519,003
Non-current assets			
Inventories	169,751	8,559,089	8,728,840
Total non-current assets	754,958	8,559,089	9,313,687
Total assets	18,832,690	-	18,832,690

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Inventories (Continued)

There is no impact to the consolidated Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flow.

Prior to the change in accounting policy, inventories were measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials and cost paid to third party manufacturer.

Current inventories

The concentrated VitroGro® ECM protein and related manufacturing development and quality management cost expected to be utilised in the production of VitroGro® ECM final product in the next 12 months are classified as a current work-in-progress.

Non-current inventories

The VitroGro® production cells and reference protein are integral to the ongoing production of VitroGro® and a future economic benefit will be realised as the assets are controlled and owned by the Group. The amounts have been capitalised, as their use with in manufacturing is ongoing. Minor quantities of these assets will be consumed with each additional batch of manufacturing and they are expected to have useful life in excess of five years. Both of these assets are amortised at 20% per annum on a straight-line basis through to 31 December 2016 (refer Note 7(b)).

The concentrated VitroGro® ECM protein and related manufacturing development and quality management cost to be used in the production of VitroGro® ECM final product not expected to be used within the 12 months are classified as a non-current work-in-progress.

Write-off or impairment of VitroGro® ECM Inventory

In December 2014, the Company made a provision of $1,407,603 against the impairment of the inventory of VitroGro® ECM final product. This was due to continued delays in the EMA process, inventory carrying costs and the desirability of introducing a newly manufactured product with current labelling to the market when approval for sale in the EU is achieved. This inventory was subsequently written off in February 2015.

As outlined in Note 7(a), further impairment adjustments of $2,684,228 were made to the carrying value of VitroGro® ECM work-in-progress as at 30 June 2015.

k. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

l. Leases

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

n. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

o. Financial Instruments

Initial and Recognition Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Financial Instruments (Continued)

(iii) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

p. Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Foreign Currency Transactions and Balances

Functional and Presentation Currency

Group Companies

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

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences are recognised in profit or loss in the period in which the operation is disposed of.

q. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of intangible assets for the year ended 30 June 2015.

Key Judgements – Inventory

The Group assessed the valuation of protein inventory on hand at 30 June 2015. Based on the outcome of research and development activities to date and anticipated future events and use of protein on hand, the Group has amortised VitroGro® production cells and reference protein by $67,901 (2014: $67,901). The production cells and reference protein is expected to have a useful life of at least 5 years and are amortised at 20% per annum on a straight-line basis through to 31 December 2016. This is shown in the Statement of Profit or Loss and Other Comprehensive Income for the current year.

r. Going Concern

The Directors have prepared the financial statements on a going concern basis. However, due to a number of factors, including:

- the net loss recorded by the Group for the year of $11,254,396 (2014: $6,838,801);
- likely significant funding which will be required over the coming years to achieve the revised Group strategy, as announced to the market; and
- the expected further delay to the generation of sales due to the revised Group strategy.

the appropriateness of the going concern basis of the Group must be considered. The Directors believe the ongoing appropriateness of the going concern assumption is dependent upon the ability of the Group to achieve the following:

- further capital raising from either existing or new shareholders;
- obtaining other sources of funding, through partnering or other strategic arrangements; and
- the continued support of major creditors, if required.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Going Concern (Continued)

It is on the basis of the Group's ability to achieve or maintain the above arrangements that the Directors have prepared the financial report on a going concern basis. In the event that the above arrangements do not occur or are not achieved, there is significant uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

s. Significant Uncertainty regarding the Recoverability of VitroGro® ECM Inventory

At balance date, the Group has recorded total inventory of $8,530,799 (2014: $10,258,680). This inventory is predominantly VitroGro® ECM work-in-progress including concentrated VitroGro® ECM protein, production cells, reference protein and related manufacturing development and quality management costs.

The carrying value of the VitroGro® ECM work-in-progress inventory is dependent upon the ability of the company to access the necessary funding for the clinical trials for which the inventory will be utilised and, when regulatory approval is obtained, to sell the inventory once the work-in-progress has been processed into VitroGro® ECM final product for sale.

The ability to sell the VitroGro® ECM final product is dependent upon the company gaining the appropriate regulatory approval. As announced to the market during the six months ended 30 June 2015, the Company was not successful in obtaining regulatory approval for the granting ot the CE Mark in the EU as initially expected. The Company had been working closely with the European Medicines Agency's (EMA) Scientific Advice Working Party (SAWP) to devise a plan for the pre-clinical and clinical development of VitroGro® ECM. Whilst this confirmed a viable pathway to market in Europe as a Class III Rule 13 medical device, it did mean further delays, costs and clinical risks given the Company would be required to conduct additional clinical trials.

Subsequent to 30 June 2015, on 28 July 2015 the Company announced a change in strategy whereby approval will be concurrently sought for VitroGro® ECM as a pharmaceutical worldwide for wound healing from the United States Food and Drug Administration (FDA) and the EMA. The Directors and management are of the view that although the Company will not likely be in a position to file a New Drug Application for approval until the second half of the calendar year 2018, a pharmaceutical is more likely to realise global potential sooner and more broadly than a medical device developed specifically for Europe. Importantly, the pre-clinical and clinical work completed to date for CE marking remains relevant and will continue to form part of the Company's submissions as it recommences engagement with the FDA.

Given also the expected future significant costs to conduct the above activities, the Board and management are seeking a development partner to obtain access to the funding necessary to continue the planned activities of the Company. This process has commenced, and subsequent to 30 June 2015 it was announced that the Company had secured ownership of all intellectual property around its VitroGro® ECM therapeutic application from QUT which was deemed an important first step in this process.

Although the above assumptions and expectations are subject to FDA guidance, the satisfactory progress of all clinical studies and trials and access to the necessary funding as and when required to conduct the required activities, the Directors are not aware of any current circumstances which exist which could compromise the ability of the company to meet the requirements of regulators and the expected future granting of regulatory approval of VitroGro® ECM as a pharmaceutical.

On this basis the Directors are of the opinion that the carrying value of VitroGro® ECM inventory is appropriately carried at cost and remains recoverable. Should the above regulatory approval process not be successful or should the Company be unable to obtain the necessary access to funding to conduct the required future processes, then a significant uncertainty may arise as to the ability of the company to realise the carrying value of VitroGro® ECM inventory.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. New and Amended Accounting Policies Adopted by the Group

The Group has applied the following accounting standards and amendments (to the extent that is relevant to the Group) for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets;
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting; and
- Interpretation 211: Levies.

The adoption of these new standards did not materially affect any of the amounts recognised in the current period and are not likely to affect future periods.

	CONSOLIDATED	
	30 June 2015	30 June 2014
	$	$
NOTE 2: OTHER INCOME		
Interest received	171,055	229,069
Incentive – R&D claim	355,122	517,836
Total other income	526,177	746,905
Movement of incentive – R&D claim		
Opening balance of R&D claim incentives	404,979	321,181
Add – R&D claim understated in prior years	-	112,857
Less – R&D claim received	(404,979)	(434,038)
Add – R&D claim receivable	355,122	404,979
	355,122	404,979
NOTE 3: EXPENSES		
Profit before tax includes the following specific expenses:		
Amortisation of non-current inventory	67,901	67,901
Realised (gains)/losses on foreign exchange	354,504	63,078
Unrealised (gains)/losses on foreign exchange	(284,392)	325,824
Rental expense on operating leases – minimum lease payments	205,807	186,117

		CONSOLIDATED	
		30 June 2015 $	30 June 2014 $
NOTE 4: INCOME TAX			
a)	**The components of income tax expense comprises**		
	Current tax	(12,629)	(13,799)
	Total income tax expense	(12,629)	(13,799)
b)	**The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows**		
	Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2014: 30%)	3,361,766	2,044,738
	Tax effect of:		
	R&D expenditure taken as a cash offset	(244,911)	(269,986)
	Other	(258,234)	59,850
	Tax losses not recognised or deferred tax assets	(2,871,250)	(1,848,401)
	Income tax expense	(12,629)	(13,799)
	The applicable weighted average effective tax rates are as follows:	0.11%	0.20%
c)	**Deferred Tax Asset**		
	Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:		
	Temporary differences	951,152	1,195,888
	Tax losses – operating losses	13,720,998	10,848,186
		14,672,150	12,044,074
d)	**Current Tax Liabilities**		
	Opening balance	12,055	10,625
	Tax paid	(13,025)	(12,503)
	Understated in prior years	970	1,878
	Income tax expense	11,804	12,055
	Closing balance of current tax liabilities	11,804	12,055

	CONSOLIDATED	
	30 June 2015	30 June 2014
	$	$
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank	668,953	1,035,068
Short term bank deposits - at call *	4,909,777	6,042,319
	5,578,730	7,077,387

* The deposits were in interest bearing floating rate accounts. Interest rates varied between 0.0% and 3.83% (2014: 0.0% to 4.37%).

Included in the short term bank deposits at call, is $nil (2014: $1,000,000) term deposit which was provided for a bank guarantee in relation to the Foreign Exchange Forward Contract which expired on 19 December 2014 (Note 17(c): Financial Risk Management – Derivative Financial Instruments).

NOTE 6: TRADE AND OTHER RECEIVABLES

Current		
GST/VAT receivable	74,133	78,733
Other receivables	46,293	105,524
	120,426	184,257

	CONSOLIDATED	
	30 June 2015	30 June 2014 Restated
	$	$
NOTE 7: INVENTORIES		
a) Current		
VitroGro® ECM – at cost	102,392	1,479,165
Syringes and stoppers	135,614	-
VitroGro® ECM – Work-in-progress – at cost	3,094,833	50,675
Less: Provision for impairment	(2,684,228)	-
	410,605	50,675
	648,611	1,529,840

	CONSOLIDATED	
	30 June 2015	**30 June 2014 Restated**
	$	**$**
NOTE 7: INVENTORIES (Continued)		
Movement of Provision for Impairment		
Opening balance	-	-
Movement	(2,684,228)	-
Closing balance	(2,684,228)	-

Current inventories comprise of:

- VitroGro® ECM final product;
- Concentrated VitroGro® ECM protein and related manufacturing development and quality control costs expected to be used in production of VitroGro® ECM final product within 12 months. A provision for impairment of $2,684,228 has been raised against the inventory of concentrated VitroGro® ECM which has passed its expiry date. This concentrated VitroGro® ECM can still be used for research & development activities, characterisation studies and the new reference standard; and
- Syringes and stoppers.

b) Non-current

VitroGro® ECM – Work-in-progress – at cost	7,882,188	8,728,840

VitroGro® ECM work-in-progress includes concentrated VitroGro® ECM protein, production cells, reference protein and related manufacturing development and quality management cost.

As outlined in Note 1(s), the carrying value of the VitroGro® ECM work-in-progress inventory is dependent upon the ability of the Company to sell the inventory once the work-in-progress has been processed into VitroGro® ECM final product for sale.

	CONSOLIDATED	
	30 June 2015	30 June 2014
	$	$

NOTE 8: OTHER ASSETS

a) Other current assets

Prepayments		
- Clinical trials expenses	-	222,229
- Other	111,327	100,311
	111,327	322,540

The prepaid clinical trial expenses in 30 June 2014 represented inventory VitroGro® ECM produced for clinical trial. This inventory has been expensed consistent with the provision for impairment of other VitroGro® ECM inventory in December 2014.

b) Other non-current assets

Other assets	1,525	1,525

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment – at cost	93,117	93,117
Less: Accumulated depreciation	(51,933)	(41,663)
	41,184	51,454
Furniture and fixtures – at cost	88,138	86,649
Less: Accumulated depreciation	(80,802)	(70,460)
	7,336	16,189
Computer hardware and software – at cost	95,837	91,884
Less: Accumulated depreciation	(83,493)	(53,418)
	12,344	38,466
Fit out – at cost	209,747	209,747
Less: Accumulated depreciation	(104,747)	(74,784)
	105,000	134,963
Total property, plant and equipment	165,864	241,072

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (Continued)

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

CONSOLIDATED	Plant and equipment	Furniture and fixtures	Computer hardware and software	Fit out	Total
	$	$	$	$	$
Carrying amount at 1 July 2013	61,818	31,035	49,504	164,925	307,282
Additions	-	1,302	15,987	-	17,289
Depreciation expense	(10,364)	(16,148)	(27,025)	(29,962)	(83,499)
Carrying amount at 30 June 2014	51,454	16,189	38,466	134,963	241,072
Additions	-	1,489	3,953	-	5,442
Depreciation expense	(10,270)	(10,342)	(30,075)	(29,963)	(80,650)
Carrying amount at 30 June 2015	41,184	7,336	12,344	105,000	165,864

	CONSOLIDATED	
	30 June 2015	30 June 2014
	$	$
NOTE 10: INTANGIBLE ASSETS		
Licenses and patents - at cost	342,250	342,250

Licences and patents are assessed to have finite useful lives. Amortisation shall begin when the asset is available for use, that is, when the Group commences commercial operations. There are no amortisation charges for licenses and patents for the current or prior financial periods.

NOTE 11: TRADE AND OTHER PAYABLES

	30 June 2015	30 June 2014
Current		
Unsecured liabilities:		
Trade payables	1,225,183	903,255
Other payables and accruals	393,407	331,594
	1,618,590	1,234,849

	CONSOLIDATED	
	30 June 2015	30 June 2014
	$	$

NOTE 12: PROVISIONS

a) Current

Provision for annual leave	104,313	196,950
Provision for long service leave	41,122	-
	145,435	196,950

b) Non-current

Provision for long service leave	-	91,349

NOTE 13: OTHER LIABILITIES

a) Current liabilities

Deferred lease incentives	29,964	29,964

b) Non-current liabilities

Deferred lease incentives	75,036	104,999

NOTE 14: ISSUED CAPITAL

a) Share capital

302,878,835 (2014: 263,113,571) fully paid ordinary shares	66,028,808	58,308,941

b) Fully paid ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 14: ISSUED CAPITAL (Continued)

c) Movements in ordinary share capital

Date	Details	No. Shares	Issue price	$
	Balance at 1 July 2013	214,250,604		48,845,335
11/11/13	Ordinary shares issued under Placement	14,500,000	21c	3,045,000
17/12/13	Ordinary shares issued under Non-Renounceable Entitlement Offer	25,418,240	21c	5,337,831
17/12/13	Ordinary shares issued to priority sub-underwriter of the Entitlement Offer	8,270,640	21c	1,736,834
07/01/14	Ordinary shares issued to consultant for consultancy services	409,332	18c	72,227
08/04/14	Ordinary shares issued to consultant for consultancy services	264,755	29c	75,555
	Transaction costs arising from share issues			(803,841)
	Balance at 30 June 2014	263,113,571		58,308,941
23/10/14	Ordinary shares issued to consultant for consultancy services	187,092	31c	57,929
23/10/14	Ordinary shares issued to consultant for consultancy services	57,614	33c	19,031
12/02/15	Ordinary shares issued under Placement	19,047,642	21c	4,000,005
10/03/15	Ordinary shares issued under Non-Renounceable Entitlement Offer	17,558,417	21c	3,687,268
10/03/15	Ordinary shares issued under Placement	2,719,749	21c	571,147
21/04/15	Ordinary shares issued to consultant for consultancy services	194,750	28c	55,280
	Transaction costs arising from share issues			(670,793)
	Balance at 30 June 2015	302,878,835		66,028,808

d) Options

For information relating to options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 18: Share-based Payments.

e) Capital Management

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

	CONSOLIDATED	
	30 June 2015	**30 June 2014**
	$	**$**

NOTE 15: RESERVES

Option reserve	-	435,169
Foreign exchange translation reserve	(55,885)	(20,003)
	(55,885)	415,166

a) Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

Movement		
Balance at beginning of year	435,169	168,469
Options expense	-	266,700
Expired options reserve transfer to retained earnings	(435,169)	-
Balance at end of year	-	435,169

b) Foreign Exchange Translation Reserve

Movement		
Balance at beginning of year	(20,003)	(10,793)
Movement during the year	(35,882)	(9,210)
Balance at end of year	(55,885)	(20,003)

NOTE 16: REMUNERATION OF AUDITORS

Audit services – PKF Hacketts Audit		
Audit and review of financial reports and other audit work under the Corporations Act 2001	50,600	44,440
Non-audit services		
Audit / review of regulatory returns and due diligence services – PKF Hacketts Corporate Advisory	13,530	14,300
	64,130	58,740

NOTE 17: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, forward exchange contracts and accounts receivable and payable.

a) Treasury Risk Management

The Board, at each of its meetings, analyses financial risk exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed on a regular basis.

b) Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk.

Credit risk exposures

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The credit risk on financial assets of the Group which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

Interest rate risk exposures

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. At balance date, the Group does not have material exposure to interest rate risk.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate facilities or financing options are maintained. At balance date, the Group does not have material exposure to liquidity risk.

c) Derivative Financial Instruments

Foreign currency risk

Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the functional currency of the Group. The Group manages foreign currency risk by monitoring forecast foreign currency commitments and foreign exchange rates. At balance date, the Group does not have material exposure to foreign currency risk.

Forward Exchange Contract

The Group has no open forward exchange contracts at the end of the reporting period.

The following table summarises the notional amounts of the Group's commitments in relation to forward exchange contracts for the prior financial year ended 30 June 2014. The notional amounts do not represent amounts exchanged by the transaction counterparties and are therefore not a measure of the exposure of the Group through the use of these contracts.

NOTE 17: FINANCIAL RISK MANAGEMENT (Continued)

c) Derivative Financial Instruments (Continued)

	Notional Amount		Average exchange rate	
	2015	2014	2015	2014
	$	$		
Buy EUR / sell AUD				
Settlement – (2014: 19 December 2014)				
- Buy EUR with a variable asset value of AUD as at 30 June of	-	2,093,684	-	0.6800
- Sell AUD for a fixed liability amount of	-	(2,356,229)	-	0.6030
Net gain/(loss)	-	(262,545)		
Buy GBP / sell AUD				
Settlement – (2014: 19 December 2014)				
- Buy GBP with a variable asset value of AUD as at 30 June of	-	486,132	-	0.5454
- Sell AUD for a fixed liability amount of	-	(526,368)	-	0.5033
Net gain/(loss)	-	(40,236)		
Net unrealised gain/(loss) at 30 June	-	(302,781)		

d) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and the financial liabilities of the Group approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

e) Sensitivity Analysis

The Group has performed a sensitivity analysis relating to its exposure to interest rate and foreign currency exchange rate risks, to assess the effect on reported results and equity which could result from a change in these risks.

At balance date, there is no material exposure to interest rate and foreign currency exchange rate risks.

NOTE 18: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed during the financial year ended 30 June 2015:

- On 29 November 2007, 400,000 share options were granted to the previous CEO, Dr Steven Mercer, to take up ordinary shares at an exercise price of $0.64 each. These options which remain exercisable will vest on the achievement of a series of specific performance milestones and are exercisable within two years of each tranche of options vesting. At 30 June 2015, all of these options had lapsed. Dr Mercer, the CEO then, resigned from Company as of 7 April 2015.
- On 19 June 2012, 950,000 share options were granted to Key Personnel, to take up ordinary shares at an exercise price of $0.59 each. These options cannot be exercised unless the exercise price is less than the share price on the exercise date. The options vested on 15 June 2013 and expired on 4 July 2014.
- On 16 September 2013, 2,150,000 share options were granted to Key Personnel and contractors, to take up ordinary shares at 15% premium to the 10 trading-day volume weighted average of Tissue Therapies ordinary shares immediately prior to the achievement of the applicable KPI. 1,075,000 options were to vest upon approval being obtained by 8th November 2013 from the US Food and Drug Administration (FDA) for the Company to commence its venous leg ulcer trial, and the remaining 1,075,000 options will only vest upon CE Mark approval being granted by 29th August 2014 for VitroGro® ECM to allow the start of sales throughout the European Union. These options cannot be exercised unless the exercise price is less than the share price on the exercise date and will expire in 3 years from the date that they vest. At 30 June 2015, all of these options had lapsed, as the vesting conditions were not met.
- On 25 October 2013, 500,000 share options were approved and granted to the previous CEO, Dr Steven Mercer, at the AGM to take ordinary shares at 15% premium to the 10 trading-day volume weighted average of Tissue Therapies ordinary shares immediately prior to the achievement of the applicable KPI. 175,000 of these options were to vest upon approval being obtained by 8th November 2013 from the US Food and Drug Administration (FDA) for the Company to commence its venous leg ulcer trial, and the remaining 325,000 options will only vest upon CE Mark approval being granted by 29th August 2014 for VitroGro® ECM to allow the start of sales throughout the European Union. These options cannot be exercised unless the exercise price is less than the share price on the exercise date and will expire in 3 years from the date that they vest. At 30 June 2015, all of these options had lapsed, as the vesting conditions were not met. Dr Mercer, the CEO then, resigned from Company as of 7 April 2015.
- On 26 August 2014, 2,520,000 share options were granted to Key Personnel and contractors, to take up ordinary shares at 15% premium to the 10 trading-day volume weighted average of Tissue Therapies ordinary shares immediately prior to the achievement of the applicable KPI. These options cannot be exercised unless the exercise price is less than the share price on the exercise date and will expire in 2 years from the date that they vest. At 30 June 2015, all of these options had lapsed, as the vesting conditions were not met.
- On 21 October 2014, 480,000 share options were approved and granted to the previous CEO, Dr Steven Mercer, at the AGM to take ordinary shares at 15% premium to the 10 trading-day volume weighted average of Tissue Therapies ordinary shares immediately prior to the achievement of the applicable KPI. 160,000 of these options were to vest upon favourable review opinion being obtained by 30th November 2014 from the European Medicines Agency (EMA); 160,000 of these options were to vest upon CE Mark approval being granted by 1 December 2014 for VitroGro® ECM, to allow the start of sales throughout the European Union; 80,000 of these options were to vest upon achieving sales in United Kingdom of $0.5m by 30 June 2015 and the remaining 80,000 options were to vest upon achieving sales in Germany of $0.7m by 30 June 2015. These options cannot be exercised unless the exercise price is less than the share price on the exercise date and will expire in 2 years from the date that they vest. At 30 June 2015, all of these options had lapsed, as the vesting conditions were not met. Dr Mercer, the CEO then, resigned from Company as of 7 April 2015.
- On 23 October 2014, 187,092 ordinary shares were issued at $0.31 per share for a total of non-cash consideration of $57,929 to Mr Geoff Morris and 57,614 ordinary shares were issued at $0.33 per share for a total non-cash consideration of $19,031 to Mr Ron Shannon, for the period from 1 April 2014 to 30 September 2014, under consultancy agreements under which the consultants provides consultancy services to Tissue Therapies.
- On 21 April 2015, 194,750 ordinary shares were issued at $0.28 per share for a total of non-cash consideration of $55,280 to Mr Geoff Morris, for the period from 1 October 2014 to 5 March 2015, under consultancy agreements under which the consultants provides consultancy services to Tissue Therapies.

NOTE 18: SHARE-BASED PAYMENTS (Continued)

The options hold no voting or dividend rights and are not transferable.

	2015		2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Movement in Options				
Outstanding at the beginning of the year	2,490,000	0.47	1,090,000	0.60
Granted	3,000,000	0.34	2,650,000	0.37
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired / lapsed	(5,490,000)	0.40	(1,250,000)	0.37
Outstanding at end of the year	-	-	2,490,000	0.47
Exercisable at end of the year	-	-	140,000	0.64

There were no options exercised during the year, and all of the options had lapsed by, 30 June 2015.

The 3,000,000 options granted during the year, have lapsed by the end of the financial year, no expense was recognised as the vesting conditions were not met.

	CONSOLIDATED	
	30 June 2015 $	30 June 2014 $
NOTE 19: COMMITMENTS FOR EXPENDITURES		
Commitments for rental lease and consultancy services contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	1,490,176	1,759,791
Later than one year but not later than 5 years	416,638	739,392
Later than 5 years	-	-
	1,906,814	2,499,183

NOTE 20: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company entered into a Deed of Assignment of Intellectual Property with Queensland University of Technology (“QUT”) on 13th July 2015, under which QUT has assigned the Intellectual Property to the Company. An assignment fee of $215,000 is payable by the Company to QUT on the earlier of the Company raising funding in excess of $7.5 million for working capital; the date the Company achieves sales in excess of $5 million; or 18 months from the date of the Deed of Assignment.

Directors are not aware of any other contingent liabilities or assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements.

NOTE 21: RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Subsidiaries

Interest in subsidiaries are set out in note 28.

Key management personnel compensation

Detail remuneration of the key management personnel are provided in the remuneration report in the Directors' Report on pages 10 to 16.

Transactions with other related parties

The Company has incurred share issue transaction costs of $497,307 (2014: $637,747) to Morgans Corporate Limited (previously RBS Morgans Corporate Limited) for its part in the share placement in February 2015, and non-renounceable entitlement offer and further placement in March 2015. Roger Clarke is Chairman of Board of Advice of Morgans Corporate Limited. Mr Clarke resigned from the Company as of 31 May 2015.

NOTE 22: SEGMENT INFORMATION

Operating segments are identified, and segment information disclosed, on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the Board of Directors. In this regard, the Board of Directors confirms that the Company continues to operate in one operating segment, being biotechnology.

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

The Company entered into a Deed of Assignment of Intellectual Property with Queensland University of Technology ("QUT") on 13th July 2015, under which QUT has assigned the Intellectual Property to the Company. (**ASX: TIS** QUT Transfers Ownership of IP to Tissue Therapies, 13 July 2015).

On 22nd July 2015, the Company announced that its long term CFO and Company Secretary, Mr Drummond McKenzie, has resigned to retire effective 12th August 2015 (**ASX: TIS** CFO and Company Secretary Retires, 22 July 2015). Saskia Jo has taken over the role of Company Secretary as of 12th August 2015.

On 28th July 2015, the Company announced a change in strategy. Under the new strategy, the Company will develop VitroGro® ECM as a pharmaceutical worldwide. This strategy will extend patent terms, reduces regulatory approval risk, and provides the opportunity to reposition VitroGro® ECM as a broad spectrum healing promoter for ulcers of all severity. (**ASX: TIS** Change in Strategy, 28 July 2015).

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 24: CASH FLOW INFORMATION

	CONSOLIDATED	
	30 June 2015 $	30 June 2014 $
a) Reconciliation of Cash		
Cash at end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	5,578,730	7,077,387
b) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax benefit	(11,218,514)	(6,829,591)
Non-cash flows in loss from ordinary activities		
Depreciation	80,650	83,499
Amortisation of deferred lease incentives	(29,963)	(29,962)
Impairment of inventory	4,091,831	-
Unrealised exchange (gain)/losses	-	302,781
Inventory write down to net realisable value	67,901	67,900
Non-cash consultant fees	132,240	147,782
Amortisation of option expenses	-	266,700
Changes in assets and liabilities		
(Increase)/ decrease in receivables	63,831	7,389
(Increase) / decrease in inventory	(2,431,851)	(862,394)
(Increase) / decrease in current tax assets	49,857	(83,798)
(Increase) / decrease in other assets	211,213	(18,043)
Increase / (decrease) in payables and provisions	(61,904)	(128,056)
Increase / (decrease) in current tax liabilities	(251)	1,430
Cash flow from operating activities	(9,044,960)	(7,074,363)
c) Non-cash Investing and Financing activity		
Shares issued for consulting services	132,240	147,782

	CONSOLIDATED	
	30 June 2015 $	30 June 2014 $

NOTE 25: EARNINGS PER SHARE

Loss after income tax benefit attributable to the Company	(11,218,514)	(6,829,591)
Weighted average number of shares used as the denominator	**No.**	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculation of Basic EPS	278,319,325	241,814,694
Weighed average number of options outstanding which are considered potentially dilutive	-	-
Weighted average number of potential ordinary shares outstanding during the year used in calculation of Dilutive EPS	278,319,325	241,814,694

The diluted EPS calculation includes that portion of the options considered to be potentially dilutive, weighted with reference to the date of conversion.

	Cents	Cents
Basic earnings per share	(4.03)	(2.82)
Diluted earnings per share	(4.03)	(2.82)

NOTE 26: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards and Interpretation issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

  This Standard is not expected to significantly impact the Group's financial statements.

NOTE 27: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	30 June 2015	30 June 2014 Restated
	$	$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	6,784,056	9,474,706
Non-current assets	8,405,376	9,325,935
TOTAL ASSETS	15,189,432	18,800,641
LIABILITIES		
Current liabilities	1,863,556	1,845,092
Non-current liabilities	116,158	196,349
TOTAL LIABILITIES	1,979,714	2,041,441
NET ASSETS	13,209,718	16,759,200
EQUITY		
Contributed equity	66,028,807	58,308,941
Reserves	-	435,169
Accumulated losses	(52,819,089)	(41,984,910)
TOTAL EQUITY	13,209,718	16,759,200
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total losses	(11,269,591)	(6,881,440)
Total comprehensive income	(11,269,591)	(6,881,440)

Guarantees

Tissue Therapies Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiary.

Contingent Liabilities

For information relating to contingent liabilities, refer to Note 20: Contingent Liabilities and Contingent Assets.

Contractual Commitments

For information relating to contractual commitments, refer to Note 19: Commitments for Expenditures. The commitments detailed in Note 19 are related to parent entity commitments only.

NOTE 28: CONTROLLED ENTITIES

Tissue Therapies Europe Limited ("the Subsidiary"), a wholly owned subsidiary, was formed on 23rd January 2012, based in United Kingdom, to provide administration support to Tissue Therapies Limited ("the Parent Entity").

NOTE 29: COMPANY DETAILS

The registered office and the principal place of business of the Company is:

Tissue Therapies Limited
Level 19
179 Turbot Street
BRISBANE QLD 4000
Australia

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Tissue Therapies Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 20 to 50, are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Cherrell Hirst
Interim Chairman
Brisbane, 21 August 2015

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TISSUE THERAPIES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Tissue Therapies Limited ("the company") and its Controlled Entities ("the group") which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the group comprising the company and the entity 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

a) the financial report of Tissue Therapies Limited its Controlled Entities is in accordance with the *Corporations Act 2001*, including:
    i. giving a true and fair view of the group's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
    ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TISSUE THERAPIES LIMITED
(continued)

Emphasis of Matter

Without qualification to the opinion expressed above, attention is drawn to the following matter.

We draw attention to Note 1(r) in the financial report, which indicates that the Group incurred a net loss of $11,254,396 during the year ended 30 June 2015. This condition, along with other matters as set forth in Note 1(r), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

We also draw attention to Note 1(s) to the financial statements which describes the significant uncertainty related to the ability of the consolidated entity to realise its assets at their stated value in the ordinary course of business. In particular, the ability of the consolidated entity to realise the $8,530,799 (2014: $10,258,680) in inventory is dependent upon the consolidated entity being able to access further capital to fund the regulatory approval process and the ultimate success of the regulatory approval process.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the Directors' Report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Tissue Therapies Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

PKF Hacketts

PKF Hacketts Audit
Brisbane, 21 August 2015

Shaun Lindemann
Partner

Shareholder Information

Information shown was current as of the 25th September 2015.

Distribution of equity securities

Ranges	Number of Investors	Number of shares	% Issued Capital
1 to 1,000	303	59,745	0.02%
1,001 to 5,000	535	1,621,340	0.54%
5,001 to 10,000	442	3,524,185	1.16%
10,001 to 50,000	1,131	28,820,365	9.52%
50,001 to 100,000	341	25,727,344	8.49%
100,001 and over	407	243,125,856	80.27%
Total	3,159	302,878,835	100.00%

The number of security investors holding less than a marketable parcel of 11,905 securities ($0.042 on 25/09/2015) is 1,363 and they hold 6,118,652 securities.

Distribution of unqoted equity securities

Ranges	Number of Holders	Number of options on issue	% Issued Capital
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 50,000	-	-	-
50,001 to 100,000	-	-	-
100,001 and over	4	1,100,000	100.00%
Total	4	1,100,000	100.00%

1,100,000 options on issue are exercisable at $0.08 and vesting upon achievement of set of KPIs.

Substantial shareholders

Name of Investors	Number of shares	% Issued Capital
Allan Gray Australia Pty Limited	43,636,290	14.42%
Asia Union Investments Pty Limited	15,708,200	5.19%

Voting rights

The voting rights attaching to ordinary shares are set out below:

- On a show of hands every member present in person or by proxy shall have one vote;
- Upon a poll each share shall have one vote.

Names of the twenty largest shareholders

Rank	Name of Investors	Number of shares	% Issued Capital
1.	JP Morgan Nominees Australia Limited	36,514,708	12.06%
2.	HSBC Custody Nominees (Australia) Limited	19,092,742	6.30%
3.	Citicorp Nominees Pty Limited	16,837,856	5.56%
4.	Asia Union Investments Pty Limited	15,708,200	5.19%
5.	Queensland University of Technology	8,087,010	2.67%
6.	Aslog Holding Ltd	7,523,809	2.48%
7.	Kelwick Pty Ltd <Clarke Super Fund A/C>	6,000,000	1.98%
8.	Mr Thai Quoc Tang	5,828,500	1.92%
9.	National Nominees Limited	4,826,811	1.59%
10.	Berne No 132 Nominees Pty Ltd <323731 A/C>	2,647,245	0.87%
11.	Mr Paul Robert Baster + Ms Catherine Bellemore <The Avenue S/F A/C>	1,832,920	0.61%
12.	Mr Wayne Martin + Mrs Anthea Martin	1,600,000	0.53%
13.	Berne No 132 Nominees Pty Ltd <323723 A/C>	1,541,645	0.51%
14.	Miengrove Pty Ltd <G J & P K Bird Super A/C>	1,500,000	0.50%
15.	HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	1,411,270	0.47%
16.	Mr Edward William Gallop + Ms Glenda Joy Gallop <Gallop Family S/F A/C>	1,321,750	0.44%
17.	Mr Hans-Christian Kleist	1,299,552	0.43%
18.	Mr John Henry Pittard + Mrs Penelope Ann Pittard	1,264,482	0.42%
19.	Ross Planning Pty Ltd <S Alston Superannuation A/C>	1,219,208	0.40%
20.	Mr Ramazan Gunes	1,207,776	0.40%
	Total	137,265,484	45.32%

There are 3,139 other investors out of a total of 3,159 investors		
Total shares held by other investors	165,613,351	54.68%
Grand Total	302,878,835	100.00%