TISSUE THERAPIES

Annual Report 2014

Tissue Therapies Limited ABN 45 101 955 088

Annual General Meeting

The Annual General Meeting of the Company will be held at McCullough Robertson Lawyers, Level 11, Central Plaza Two, 66 Eagle Street Brisbane QLD 4000, on the 7th of October 2014 at 10:30 am.

Corporate Headquarters

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European Operations

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Web: www.tissuetherapies.com
Email contact: investors@tissuetherapies.com

Directors

Mr Roger Clarke
Dr Mel Bridges
Dr Cherrell Hirst AO
Mr Iain Ross
Dr Steven Mercer

Company Secretary

Mr Drummond McKenzie

Consulting Chief Scientific Officer

Professor Zee Upton

Share Registry

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

Auditors

PKF Hacketts Audit
Level 3, 549 Queen Street
Brisbane, QLD 4000 Australia

Lawyers

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

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About Us

Tissue Therapies

Tissue Therapies Limited is a health biotechnology company which develops and manufactures proteins that efficiently heal wounds. At Tissue Therapies we strive to be the partner of both the clinician and payer to secure better outcomes for patients and their carers. Tissue Therapies Limited shares are traded on the Australian, Berlin and Frankfurt stock exchanges.

Our mission: To heal wounds

Our mission is the healing of wounds to improve the lives of patients. To do this effectively we will provide our customers with evidenced based solutions to promote the healing of chronic wounds that are clinically effective, cost effective, and easy to use. By meeting this "value challenge" Tissue Therapies will optimise the benefits to the patient, our customers and our shareholders.

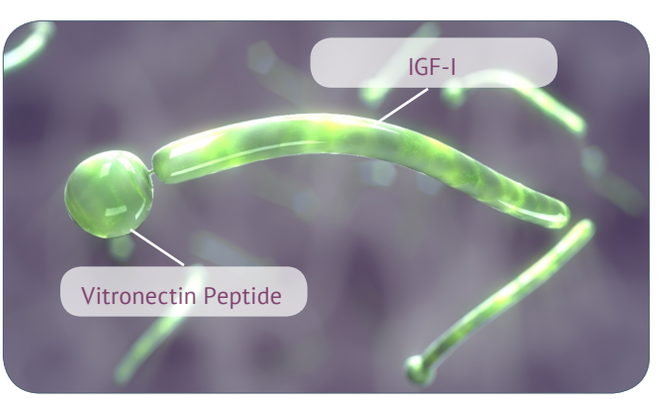
Our product: VitroGro® ECM

- VitroGro® ECM is a solution of synthetic protein that promotes healing and reduces pain in chronic wounds.
- VitroGro® ECM replaces the degraded extracellular matrix (ECM) of chronic wounds.
- The product is applied to the surface of a prepared wound and the liquid formulation allows the product to cover the irregular shape of the wound.

Targeting chronic wounds

Unfortunately, healing sometimes stalls early in the process and wounds remain in a state of prolonged inflammation. This impairs the formation and repair of the extracellular matrix scaffold (ECM) that supports skin growth and tissue redevelopment during healing.

VitroGro® ECM is a synthetic protein comprising a vitronectin peptide and the growth factor IGF-I.



Native vitronectin and IGF-I are present in the initial phases of normal wound healing and support critical cell processes as the wound transitions from haemostasis and inflammation to the migration and proliferative phases of healing. A key element of this healing process is the formation of a functional ECM scaffold in the wound on which skin cells can attach, migrate and proliferate. Vitronectin helps to form the temporary ECM scaffold during these first stages of wound healing and is directly responsible for cell attachment while additionally supporting cell migration and proliferation. IGF-I supports wound healing by promoting cell proliferation and migration in the presence of a functional ECM scaffold.

VitroGro® ECM has been designed to promote healing by providing a scaffold that is representative of native ECM at these initial stages of normal wound healing. In this way VitroGro® ECM targets the phases of healing at which chronic wounds become stalled.

Clinical data summary [1]

- A clinical study to support EU approval was conducted in patients with non-healing ulcers in sites in the UK and Australia.
- The average age of patients that completed the study was 74.2 years.
- The average wound size of patients that completed the study was 7.36 cm^2.
- These patients had suffered leg ulcers (venous and mixed arterial) that had not responded to standard care for an average of 37 months.
- Patients were treated for a maximum of 12-weeks.
- 36% (16 out of 45 patients) were completely healed (100% re-epithelialisation).
- 67% (30 out of 45 patients) had greater than 50% wound area reduction.
- The median decrease in size of the wound was 70% over the 12-week treatment period.

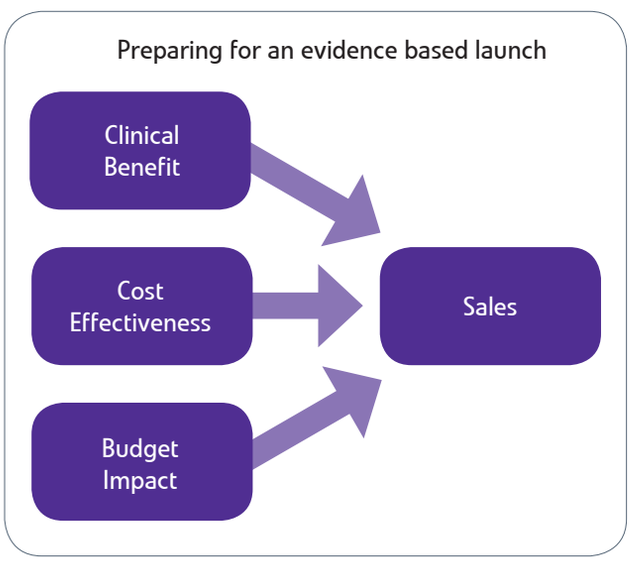
This data demonstrates that VitroGro® ECM is an effective healing promoter that is able to take wounds from a stalled non-healing state and move them towards healing.

[1] Harding K. et. al. Effectiveness of an acellular synthetic matrix in the treatment of hard-to-heal leg ulcers. Int. Wound J. 2014 Apr;11(2):129-37.

Supporting Sales

Market access: the key to sales

Clinicians, health administrators and payers are all subject to budget pressures when choosing to employ new treatments for the benefit of patients. For this reason it is important to provide these stakeholders with the information required to confidently support the use of VitroGro® ECM. The requirement is to demonstrate a clinical benefit over current treatments that translates into a cost benefit, and ultimately defines where those cost savings are made within the healthcare system.



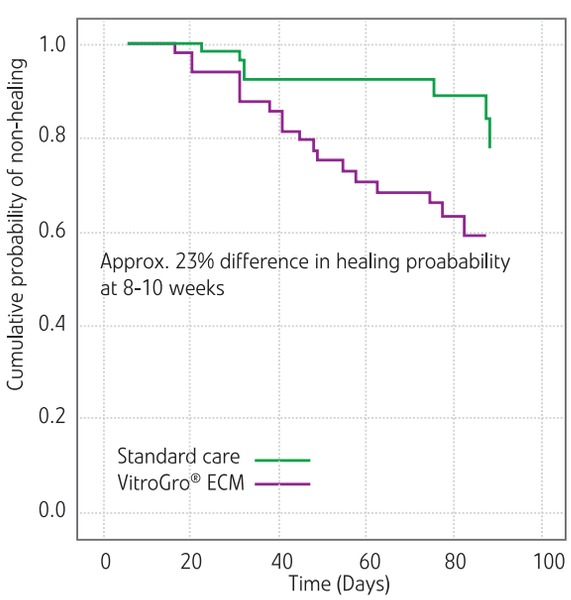
Tissue Therapies has therefore invested time and resources in building a comprehensive market access program for the United Kingdom and Germany. This program is briefly outlined below and will be further consolidated using data obtained from real world comparative studies that are to be conducted once VitroGro® ECM is approved for sale.

- Reinforcing the clinical benefit: Work has been undertaken to find validated data sources for healing rates of venous ulcers treated with current standard of care. This data is being modelled against VitroGro® ECM data and a clear benefit for VitroGro® ECM has been determined. The German data has recently been submitted for publication. The data from the United Kingdom has been analysed and is currently under review by key clinicians and statisticians.
- Demonstrating cost effectiveness: The cost effectiveness of VitroGro® ECM is being established through the construction of market specific models that take into account the patient pathways for treatment, time to healing differences and the costs of treatment. This program is currently underway and key clinicians, health economists and market access consultants from Germany and the United Kingdom are validating the models.
- Determining the budget impact: Budget impact determinations based on prevalence estimates, patient pathways and potential market penetration of VitroGro® ECM within the United Kingdom and Germany are currently underway.

Time to healing studies

Retrospective analysis of time to healing differences between patients treated with standard care and VitroGro® ECM + standard care has been finalised for Germany. This work was conducted in collaboration with the University of Hamburg (Competenz zentrum Versorgungsforschung in der Dermatologie). This analysis compares healing outcomes for patients matched from validated data sources within Germany, to those from the VitroGro® ECM clinical effectiveness trial used for the CE approval process. Figure 1 shows the time to healing differences determined by this comparison. The modelling showed an approximate 23% time to healing benefit for VitroGro® ECM at 8-10 weeks [2].

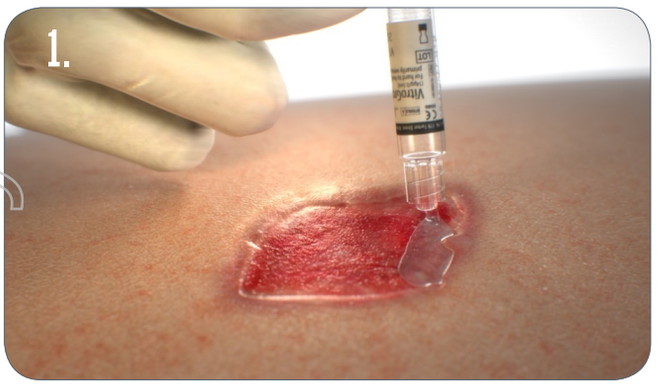
Figure 1: Kaplan Meier survival curve analysis showing that the mean time to healing for patients treated with the VitroGro® ECM as an adjunct to standard care was 73.10 days (95% CI: 66.36 - 79.85 days), in comparison to 92.17 days (95% CI: 87.11 – 97.23 days) for equivalent ulcers treated with standard care alone in the involved German care settings (Log rank test X2 11.46, p=0.001).



This data is an encouraging start to the health economic positioning of VitroGro® ECM and indicates a compelling cost benefit is within reach.

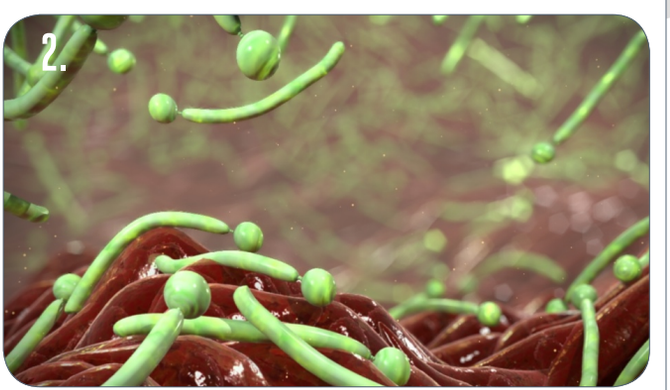
[2] Data on file, manuscript submitted.

VitroGro® ECM: Healing Promoter



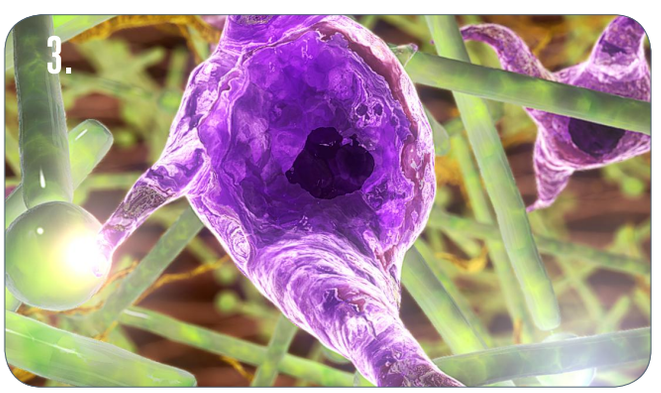
1. Application

VitroGro® ECM is applied to a prepared wound bed and used in conjunction with standard care (e.g. compression and a non-adherent wound dressing).



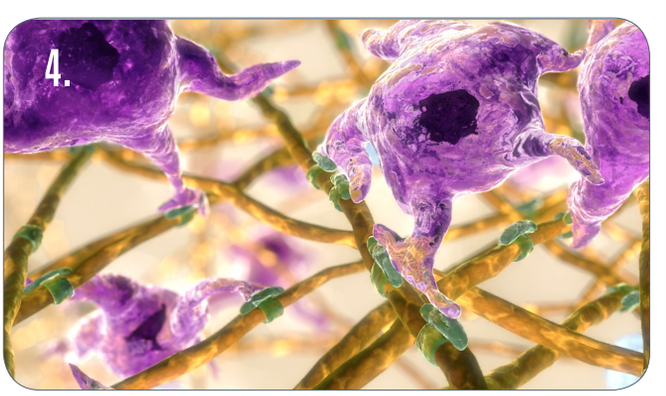
2. Rapid binding

Once applied, the VitroGro® ECM matrix protein binds rapidly to the wound bed replacing the damaged ECM of chronic wounds thereby providing a scaffold with components that supports the attachment, migration and proliferation of skin cells.



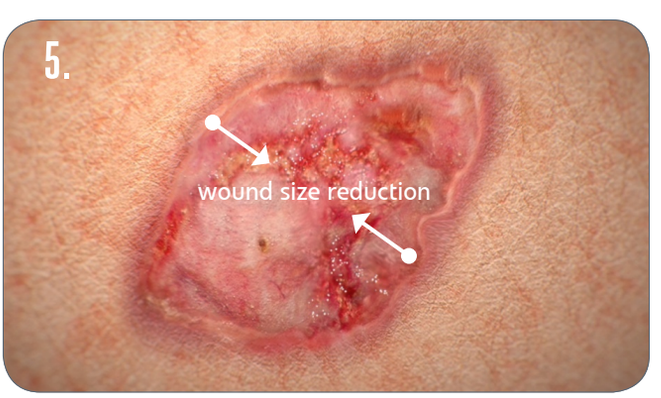
3. Skin cell attachment

Skin cells attach to the matrix, proliferating and migrating onto the wound bed to initiate the healing process.



4. ECM restoration

The increasing numbers of skin cells that are present in the wound produce a new healthy ECM. This restores the damaged dermis, which, in turn forms granulation tissue, a critical step in wound healing.



5. Healing promotion

The granulation tissue enables the migration of epithelial cells into the wound bed, reducing the size of the wound. Wounds responding to the weekly application of VitroGro® ECM will, over time, close and the tissue will mature naturally to leave healthy functional skin. *(Please see clinical data for wound size reduction and complete healing results)* [1]

[1] Harding K. et. al. Effectiveness of an acellular synthetic matrix in the treatment of hard-to-heal leg ulcers. Int. Wound J. 2014 Apr;11(2):129-37.

Chairman's and CEO's Report

We are pleased to present the annual report of the Tissue Therapies Group for the financial year ending 30 June 2014.

During the 2013 – 2014 financial year the focus of the Company was on gaining the agreement of the EMA to perform the final quality data review for the approval for sale of VitroGro® ECM and providing the necessary submission to the EMA for this to proceed. This review is the last step in the process for CE Mark to be granted, allowing the sale of VitroGro® ECM in the EU (including the UK).

The EMA agreed to proceed with this review during September 2013 and a detailed submission was made by Tissue Therapies at that time. Consistent with the EMA timetable for this process, reviewer questions were received by the Company in early 2014 and a comprehensive response was submitted to the EMA after market close on Friday 25 July 2014 (Australian Eastern Standard Time). This was announced before market open on Monday 28 July 2014 (ASX: TIS Response Lodged to EMA Review Questions).

Tissue Therapies' response to the EMA provided detailed answers to the review questions and is expected to result in a favourable EMA opinion during the second half of 2014, as previously announced (ASX: TIS Appendix 4D and CE Mark Update, 26 February 2014).

The Company also received during the 2013 – 2014 year formal notification from the FDA that the application for a clinical trial of VitroGro® ECM for the treatment of venous ulcers will be approved subject only to the provision by the Company of a plan for one additional quality control test. The Company will of course provide this. The FDA has confirmed that there are no other issues preventing the clinical trial from starting. This clinical trial will proceed when funding is available.

In addition to the above, detailed work continues in preparation for the start of sales of VitroGro® ECM in the UK and Europe including health economics analyses, preparation of reimbursement submissions for lodgement once CE Mark is granted, finalisation of sales and marketing materials including publications, and testing of logistics and financial systems and processes.

Financial Results

During the 2013-14 financial year, the Tissue Therapies Group recorded an after-tax loss of $6,829,591 in line with budget expectations. This loss includes non-cash expenses of $67,901 relating to the amortisation of VitroGro® ECM production cells and reference protein.

Net assets increased by $2,891,505 to $16,859,743 and at 30 June 2014 the Group had cash resources of $7,077,387.

Outlook

Sales of VitroGro® ECM in the UK and Europe can start quickly once CE Mark is granted. Initially sales will be handled by Company staff and some consultants who are already working for Tissue Therapies. Hiring of new permanent sales staff will proceed once CE Mark is granted.

CE Mark is also accepted by many countries (excluding the USA) as sufficient regulatory approval for the submission of applications for sale and this forms part of the global rollout plan for VitroGro® ECM during 2015.

Efficient, scalable, commercial production of VitroGro® ECM has been achieved and is ready for global supply.

Chronic skin wounds, particularly diabetic and venous ulcers represent a large and rapidly growing global market for which there are currently no definitive treatments.

The Company has had the benefit of the advice of a number of expert and influential wound care clinicians in the UK, Europe and elsewhere who are keen to use VitroGro® ECM as soon as it is approved for sale.

Expert health economic analyses continue to produce strong data to support the use and reimbursement of VitroGro® ECM in the UK and Europe. This data is planned to be published closer to sales launch.

All new data that has been developed reinforces the view that VitroGro® ECM has the potential to transform the treatment of chronic wounds. We look forward to the start of sales.

The Board and CEO

Roger Clarke (Chairman)

Mr Clarke has over 30 years commercial experience, principally in the investment banking industry, with responsibilities in fund management, banking and corporate finance, and involvement in a significant number of initial public offerings, capital raising and corporate transactions. He is Chairman of the Board of Advice of Morgans Corporate Limited. Mr Clarke is also a Director of Maverick Drilling and Exploration Limited.

Bachelor of Commerce, Chartered Accountant.

Dr Mel Bridges (Director)

Dr Bridges has extensive experience as a CEO and Company Director in healthcare, agricultural technology, drug development, pathology, diagnostics and medical devices. Dr Bridges has successfully raised in excess of $300M investment capital in the healthcare/biotech sector and been directly involved in over $1B in merger and acquisition and related transactions. Dr Bridges is also a Director of ALS Limited (formerly Campbell Brothers Limited).

Bachelor of Science (Chemistry), Honorary Doctorate from Queensland University of Technology, Fellow of the Australian Institute of Company Directors.

Dr Cherrell Hirst AO (Director)

Dr Hirst has had a distinguished clinical career in the detection and treatment of breast cancer and has extensive and respected achievements as Director and Chair of multiple commercial, government and not-for-profit organisations. Dr Hirst is a Chairman of ImpediMed Limited, and a Director of Medibank Private Limited, Gold Coast Hospital and Health Service, and Verva Pharmaceuticals Ltd.

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 and Fellow of the Academy of Technological Sciences and Engineering.

Iain Ross (Director)

Mr Ross has worked with multi-national companies including Sandoz, Fisons Plc, Hoffman La Roche, and Celltech Group Plc. Over the last 15 years he has undertaken a number of company turnarounds and start-ups as a board member on behalf of both private equity groups and banks. Currently he is Chairman of Ark Therapeutics Plc (LSE), Biomer Technology Ltd and Pharminox Ltd. Mr Ross is a Non-Executive Director of Benitec BioPharma Limited, Novogen Limited, Anatara Lifesciences Limited and Yellow Cross Limited. Mr Ross is also a Vice Chairman and Trustee of Royal Holloway, London University.

Bachelor of Science (Hons) Biochemistry, Chartered Director.

Dr Steven Mercer (Chief Executive Officer & Managing Director)

Dr Mercer has been CEO of Tissue Therapies Ltd since late September 2004. During this time, Tissue Therapies has successfully developed multiple formulations of synthetic proteins and produced VitroGro® ECM for the treatment of hard to heal wounds to a commercial scale. The Company has conducted successful clinical trials, submitted an application for approval for sale in the EU (CE Mark) and applications to start US FDA clinical trials for the treatment of venous and diabetic ulcers.

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.

The Team

Nigel Johnson (Operations Director)
Mr Johnson has more than 17 years experience in the medical device and biologics industries, principally with responsibilities for development, manufacturing, quality management and regulatory affairs in Europe, Australia, Canada and the United States. Nigel has been instrumental in the development and manufacturing of VitroGro® ECM for commercial sale.
Bachelor of Applied Science.

Drummond McKenzie (Chief Financial Officer)
Mr McKenzie, who has been involved with Tissue Therapies since its inception, has significant experience in senior financial management in a range of industries including mining, financial services, health and the accounting profession, in Australia and internationally.
Bachelor of Science (Economics) (Hons), Fellow of the Institute of Chartered Accountants, Fellow of the Institute of Chartered Secretaries.

Dr Hedie Meka (Director of Regulatory and Intellectual Property)
Dr Meka has more than 6 years experience as a registered patent and trade marks attorney and prior to joining Tissue Therapies, was partly responsible for the management of Tissue Therapies' international patents and trademarks. Earlier in her career, Dr Meka worked as an interdisciplinary research scientist in molecular and cell biology, with experience at the University of Queensland, Imperial College, London and at Oxford University.
Bachelor of Applied Science, Masters of Industrial Property, PhD (Medical Science), Fellow of the Institute of Patent and Trade Mark Attorneys of Australia.

Dr Gary Shooter (Director of Research and Development)
Dr Gary Shooter has more than 20 years experience in translational biomedical research within both academia and industry. He has developed a unique blend of expertise in biopharmaceutical manufacturing, characterisation of protein-based therapeutics and research focused on understanding the underlying biochemical causes of non-healing wounds. Dr Shooter gained his PhD from Adelaide University with previous positions held at the Wound Management and Innovation Co-operative Research Centre, the University of Queensland, Progen Industries and Alpharma.
Bachelor of Science (Honours), PhD (Medical Science).

Saskia Jo (Corporate Accountant)
Saskia is an experienced corporate accountant with first-hand knowledge of implementing and modernising financial systems that are required in an evolving company such as Tissue Therapies.
Bachelors degree in Commerce, a Graduate Diploma of Applied Finance and is a Certified Practicing Accountant.

Dr Brian Ziegelaar (International Product Manager)
Dr Ziegelaar has extensive experience in the commercialisation of clinical devices in his former capacity as International Product and European Sales Manager for ImpediMed Limited. Dr Ziegelaar specialises in marketing, sales and commercial support. Earlier in his career, Dr Ziegelaar gained his PhD and pursued post-doctoral research in Europe in tissue engineering and cell biology.
Bachelor of Science, Master of Medical Science, PhD (Human Biology).

Andrew Thelwell (Managing Director, EU Commercial Operations)
Mr Thelwell has over twenty five years experience in the wound sector, working for Smith & Nephew and ConvaTec. Previous roles have included General Management within both the Benelux and the United Kingdom & Ireland regions, and leadership of global marketing functions.
Bachelor of Arts (Hons), Masters Business Administration.

Dr Eva-Lisa Heinrichs (Medical Director, Global Medical Affairs)
Dr Heinrichs has over 16 years of experience in the medical device industry including 4 years as Chief Medical Officer of Orteq Limited, a London-based privately owned orthobiologics company and 10 years as European Medical Director of ConvaTec Limited, an international wound care, skin care and stoma care devices company. Dr Heinrichs obtained her medical qualification from Helsinki University, Finland and has a postgraduate research doctorate of medicine degree from Cardiff University in the UK.
Bachelor of Medicine, PhD.

Professor Zee Upton (Consulting Chief Scientific Officer)
Professor Upton is the lead-inventor of VitroGro® and oversees the Company's R&D activities as its Consulting Chief Scientific Officer. Professor Upton is an expert in cellular technologies and is based at QUT.
Bachelor of Science, PhD, Professorial Chair at Queensland University of Technology.

Corporate Governance

Responsibility for the Company's proper corporate governance rests with the Board. The Board is committed to implementing the highest standards of corporate governance, and its guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Tissue Therapies' shareholders with a view to building sustainable value for them, for employees and those with whom the Company has dealings – customers, suppliers and the general community.

The Company has complied with the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition, as amended at 30 June 2010). A more detailed assessment of Tissue Therapies' current corporate governance practice against the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition) is provided later in this section.

Tissue Therapies' Corporate Governance Charter, Securities Trading Policy, Remuneration Committee Charter and Nomination Committee Charter can be viewed on the Company's website at www.tissuetherapies.com. The Company's Corporate Governance Charter includes the Board Charter, Code of Ethics, Rules of Committees and the Audit and Risk Management Committee Charter.

Scope of Responsibility of the Board

The Board's broad function is to:

- Chart strategy and set financial targets for the Company;
- Monitor the implementation and execution of strategy and performance against financial targets;
- Appoint and oversee the performance of executive management, and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above.

These areas include:

- Composition of the Board itself including the appointment and removal of Directors;
- Oversight of the Company including its control and accountability systems;
- Development, implementation and review of remuneration policy and practices;
- Appointment and removal of senior management and the Company Secretary;
- Reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
- Monitoring senior management's performance and implementation of strategy, and approving and monitoring financial and other reporting and the operation of committees.

Composition of Board

The Board performs its role and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- The Board comprises five Directors, four Non-Executive Directors and one Executive Director;
- Details of each Directors' skills and experience are set out in the Directors' Report;
- Directors (except for the Chief Executive Officer) are subject to re- election by rotation at each Annual General Meeting as stipulated in the Corporations Act and the Company's constitution. There are no maximum terms for Non-Executive Director appointments. Newly appointed Directors must seek re- election at the first general meeting of shareholders following their appointment;
- The Board considers that the four Non-Executive Directors are independent. In reaching this conclusion the Directors have considered the following:
    - The Chairman, Roger Clarke, is considered independent. Roger Clarke (including his associates) was previously a substantial shareholder of the Company and deemed not to be independent. Roger Clarke ceased to be a substantial shareholder on 11 February 2010, as announced to the ASX.
    - Mel Bridges, Cherrell Hirst and Iain Ross do not have any previous association with the Company or any other relationships that are relevant to their independence.
    - Dr Steven Mercer is an Executive Director and CEO and is not considered independent.
- The Chairman of the Board, Roger Clarke, a Non-Executive Director, is independent. Mr Clarke chairs the Board in such a manner to facilitate the effective contribution of all Board members and management. This includes established meeting procedure, the timely despatch of detailed Board papers, and the timely issue of draft minutes. Directors with a potential conflict of interest in any matter exclude themselves from the discussion and any decision on the matter;
- The role of Chairman and Chief Executive Officer are exercised by different individuals providing for clear division of responsibility at the head of the Company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them;
- The Board has established a Remuneration Committee and a Nomination Committee. The Remuneration Committee Charter and the Nomination Committee Charter can be viewed on the Company's website at www.tissuetherapies.com;

- The Corporate Governance Charter adopted by the Board requires individual performance review and evaluation to be conducted formally on an annual basis. External reviews and assessments of the Board's policies and procedures, and its effectiveness generally, may periodically be conducted by independent consultants. This possibility (which would involve professional scrutiny and benchmarking against developing best market practice) will be kept under review by the Board for possible future implementation. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively.

Board Charter and Policy

The Board's Charter (which is kept under review and will be amended from time to time as the Board may consider appropriate) gives formal recognition to the matters outlined above. This Charter sets out various other matters that are important for effective corporate governance including the following:

- A detailed definition of 'independence';
- A framework for the identification of candidates for appointment to the Board and their selection;
- A framework for individual performance review and evaluation;
- Appropriate development to be made available to Directors both at the time of their appointment and on an ongoing basis;
- Basic procedures for meetings of the Board and its committees – frequency, agenda, minutes and private discussion of management issues among Non-Executive Directors;
- Ethical standards and values – formalised in a detailed code of ethics and values;
- Dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates, and
- Communications with shareholders and the market.

These initiatives, together with the other matters provided for in the Board's Charter, are designed to 'institutionalise' good corporate governance and, generally, to build a culture of best practice both in Tissue Therapies' own internal practices and in its dealings with others, including shareholders, suppliers and the general community.

Audit and Risk Management Committee

The purpose of this Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. Its members during the financial year have been the following Directors:

- Mel Bridges (Chair)
- Roger Clarke
- Cherrell Hirst
- Iain Ross

Mel Bridges, Roger Clarke, Cherrell Hirst and Iain Ross are considered independent.

The Committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among the matters for which the Committee is responsible are the following:

- Board and committee structure to facilitate a proper review function by the Board;
- Internal control framework including management information systems;
- Corporate risk assessment and compliance with internal controls;
- Internal audit function and management processes supporting external reporting;
- Review of financial statements and other financial information distributed externally;
- Review of the effectiveness of the audit function;
- Review of the performance and independence of the external auditors, including audit partner rotation;
- Review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;
- Assessing the adequacy of external reporting for the needs of shareholders, and
- Monitoring compliance with the Company's code of ethics.

Meetings are held at least twice a year. The external auditors attend each of the Committee's meetings.

Risk Management

The Board, together with the Audit and Risk Management Committee are responsible for ensuring that the Company's risk management systems are effective, and that:

- The principle strategic, operational and financial risks are identified;
- Effective systems are in place to monitor and manage risk;
- Reporting systems, internal controls and arrangements for monitoring compliance with legislation and regulations are adequate.

The Board acknowledges the Revised Supplementary Guidelines to Principle 7 issued by the ASX in June 2008 and has continued its proactive approach to risk management. The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy, policies, internal compliance and internal control. The function is carried out by the Audit and Risk Management Committee and its findings are reported to, reviewed and discussed by the Board. The Company's Risk Management Policy can be viewed on the Company's website at

www.tissuetherapies.com.

Certifying Financial Reports

The Chief Executive Officer and Chief Financial Officer certify in respect of the half yearly and the full year financial results that the Company's financial reports present a true and fair view, in all material respects, of the financial position and performance of the Company and are in accordance with the Corporations Act. As part of this certification, they are required to confirm that the risk management and internal control systems, to the extent that they relate to financial reporting, are operating effectively in all material respects based on the risk management model adopted by the Company.

Remuneration Committee

The purpose of Remuneration Committee is to assist the Board to implement appropriate and relevant remuneration policies and practices that fairly and responsibly reward management and senior executives having regard to performance, the law and principles of good corporate governance.

Its members during the financial year have been the following Directors:

- Cherrell Hirst (Chair)
- Roger Clarke
- Mel Bridges
- Iain Ross

Nomination Committee

The purpose of the Nomination Committee is to assist the Board in identifying appropriate individuals who are qualified to become Board members and for developing procedures and measures to ensure that appropriate diversity is represented and promoted at the Board level and throughout the Tissue Therapies organisation consistent with the requirements that may be imposed by the law or ASX or as may be adopted by the Board from time to time.
The members of the Nomination Committee's during the financial year have been the following Directors:

- Roger Clarke (Chair)
- Mel Bridges
- Cherrell Hirst
- Iain Ross

Best Practice Commitment

The following are a tangible demonstration of the Company's corporate governance commitment:

- Independent professional advice: With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by the Company.
- Code of ethics and values: The Company has developed and adopted a detailed Code of Ethics to guide Directors in the performance of their duties.
- Code of conduct for transactions in securities: The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.
- Charter: The Code of Ethics and the Securities Trading Policy (referred to above) both form part of the Company's Corporate Governance Charter which has been formally adopted and can be found on its website at www.tissuetherapies.com.

Compliance with ASX Corporate Governance Guidelines and Best Practice Recommendations

The Board has assessed Tissue Therapies' current practice against the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition as amended at 30 June 2010) "the Principles" and outlines its assessment below:

- Lay solid foundations for management and oversight: The role of the Board and delegation to management have been formalised as described above. This will continue to be refined, in accordance with the Principles in light of practical experience gained in operating as a listed company. Tissue Therapies complies with the Principles in this area.
- Structure the Board to add value: The Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company. The Non-Executive Directors [Roger Clarke, Mel Bridges, Cherrell Hirst and Iain Ross] are considered by the Board to be independent and comprise a majority of the Board. The Chairman of the Board, Roger Clarke, is considered independent. Tissue Therapies does comply with the Principles in this regard.
- Promote ethical and responsible decision-making: The Board has adopted a detailed code of ethics and a detailed code of conduct for transactions in securities. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities. The Board ensures that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore comply with the Principles.

  The Board has adopted a Group Diversity Policy to ensure that the Company continues to benefit from a workforce which is diverse in respect of gender, ethnicity and age by:

  - Reviewing and determining, as frequently as required, a Diversity profile that meets the

particular needs of Tissue Therapies, including identifying the skill, experience and expertise requirements set for the Board and senior management necessary to effectively oversee its business and achieve its corporate goals;

- Through the Nomination Committee, seeking to ensure that the Diversity profile is a factor that is taken into account in the selection and appointment of qualified employees, senior management and Board candidates;
- Implementing initiatives focused on skills development, such as executive mentoring programs or more targeted practices relating to career advancement including those that develop skills and experience that prepare employees, in particular women, for senior management or Board positions;
- Establishing an effective measurement and reporting framework to enable the achievement of the objectives of the Group Diversity Policy.

The Company's Group Diversity Policy can be viewed at www.tissuetherapies.com.

- Safeguard integrity in financial reporting: The Audit and Risk Management Committee (with its own charter) complies with the Guidelines. The Committee consists only of Non-Executive Directors and Mel Bridges (its Chairman), Roger Clarke, Cherrell Hirst and Iain Ross are considered independent. All members of the Committee are financially literate.
- Make timely and balanced disclosure: Current Tissue Therapies' practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with ASX Listing Rule disclosure requirements are included in the Company's Corporate Governance Charter. Compliance with the ASX Listing Rule Continuous Disclosure requirements is incorporated in the Company's Corporate Governance Charter and is a standing agenda item at each Board meeting.
- Respect the rights of shareholders: The Board recognises the importance of this principle and strives to communicate with shareholders both regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors attend the annual general meeting and are available to answer shareholders' questions. The Company's policies comply with the Principles in relation to the rights of shareholders.
- Recognise and manage risk: The Board, together with management, has constantly sought to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. The whole issue of risk management is formalised in the Company's Corporate Governance Charter (which complies with the Principles in relation to risk management) and is kept under regular review. Review takes place at both committee level (Audit and Risk Management Committee), with meetings at least two times each year, and at Board level.
- Remunerate fairly and responsibly: Tissue Therapies' current practices in this area are reviewed regularly. Remuneration of Directors and executives are fully disclosed in this annual report. A clear distinction is made between Non-Executive Directors and executives in terms of the structure of their remuneration. The Remuneration Committee assists the Board to implement appropriate and relevant remuneration policies and practices that fairly and responsibly reward management and senior executives having regard to performance, the law and principles of good corporate governance.

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DIRECTORS' REPORT

Your Directors present their report on Tissue Therapies Limited ("the Company") and Controlled Entities, ("the Group") for the year ended 30 June 2014.

Directors

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

Roger Clarke – Chairman (appointed 6 November 2003)

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	—	5,750,000 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. 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	—	400,342 Ordinary Shares

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

Qualifications	—	Bachelor of Science (Hons) Biochemistry Chartered Director
Experience	—	Chairman of Ark Therapeutics Plc (LSE), Biomer Technology Limited and Pharminox Limited, Director of Benitec BioPharma Limited, Novogen 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

Cherrell Hirst AO – 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, Verva Pharmaceuticals Limited and the Gold Coast Hospital and Health Service Distinguished clinical career in the detection and treatment of breast cancer and extensive and respected achievements as Director and Chair of multiple 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
Interest in Shares and Options	—	312,500 Ordinary Shares

Steven Mercer – Chief Executive Officer and Executive Director (appointed 10 May 2006)

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	—	Significant medical and commercial experience as Managing Director of Mercy Tissue Engineering, a successful tissue engineering company. Significant international expertise prior to Tissue Therapies following a successful career with multinational companies, including six years with Smith & Nephew as General Manager, Smith & Nephew Surgical (Australia and New Zealand) and seven years with 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	—	1,175,000 Ordinary Shares and options to acquire a further 465,000 Ordinary Shares

Company Secretary

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

Drummond McKenzie – Company Secretary

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

DIRECTORS' REPORT (CONTINUED)

Principal activities

During the year the principal activities of the Group consisted of the research, development and commercialisation of the Group'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 $6,829,591 (2013: loss $5,740,094).

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 2013-14 financial year:

Tissue Therapies recorded an after-tax loss of $6,829,591 in line with budget expectations. This loss includes non-cash expenses of $67,901 relating to the amortisation of VitroGro® production cells and reference protein.

Net assets increased by $2,891,505 to $16,859,743 and at 30 June 2014 the Group had cash resources of $7,077,387.

Highlights

During the 2013 – 14 financial year the focus of the Group was on gaining agreement from the EMA to perform the VitroGro® ECM quality data review as recommended by the UK Health Regulator, the MHRA, preparing for and submitting the EMA review data and more recently, responding to the EMA reviewer questions (please see ***Matters Subsequent to the End of the Financial Year*** below).

In addition to this, Tissue Therapies Ltd received formal notification from the FDA that the application for a clinical trial of VitroGro® ECM for the treatment of venous ulcers will be appoved subject to the provision by the Group of only one more piece of information, that of a plan for an additional qualty control test. The Group will of course provide this. The FDA has confirmed that there are no other issues preventing approval of the clinical trial. This clinical trial will proceed when funding is available.

In addition to the above, work has also continued on detailed health economics analyses in preparation for reimbursement applications and comprehensive sales, marketing, logistics and publication preparation to optimise the sales launch of VitroGro® ECM in the UK and Europe shortly after CE Mark is granted.

VitroGro® ECM

VitroGro® has been developed from a profound set of discoveries by the Chief Scientific Officer, Professor Zee Upton and her research group from the Institute of Health and Biomedical Innovation at the Queensland University of Technology.

VitroGro® ECM is a topically applied, biomimetic scaffold, comprising a synthetic extracellular matrix (ECM) protein.

How it works: VitroGro® ECM replaces the degraded matrix of a hard to heal wound. VitroGro® ECM binds to a prepared wound bed and provides a physical structure (a scaffold) for cell attachment, which is a primary requirement for subsequent cell functions critical for healing, such as cell proliferation and migration [1].

An optimal scaffold: One of the characteristics of hard to heal wounds is prolonged inflammation, which damages the native ECM that would normally guide the wound healing process [1,2,3,4]. Replacement of this damaged ECM is a beneficial strategy for treating hard to heal wounds [1]. VitroGro® ECM is ideal as an ECM replacement since its structural and functional elements mimic those present in the ECM at the early stages of normal wound healing.

Expert health economics modelling indicates that VitroGro® ECM offers the opportunity for substantially more cost effective treatment of wounds than the current standard of care.

[1] Widgerow AD. Deconstructing the stalled wound. Wounds 2012

[2] Schultz GS. Extracellular Matrix: review of its roles in acute and chronic wounds. World Wide Wounds. 2005

[3] Moor AN. et al. Proteolytic activity in wound fluids and tissues derived from chronic venous leg ulcers. Wound Rep Reg. 2009

[4] International consensus, Acellular matrices for treatment of wounds. Wounds Int. 2010

VitroGro® is protected by a family of international patent applications with patents already granted in the EU, US, Canada, China, Hong Kong, Japan, South Korea, South Africa, Australia and New Zealand.

Significant Changes in State of Affairs

In November 2013, the Group conducted a successful placement of 14,500,000 ordinary shares with institutional and sophisticated investors at $0.21 per share to raise $3,045,000. In December 2013, the Group issued 25,418,240 ordinary shares under a Non- renounceable Entitlement Offer at $0.21 per share to raise $5,337,830 and a further 8,270,640 ordinary shares at $0.21 per share to the Priority Sub- Underwriter of the Entitlement Offer to raise $1,736,835 before issue costs.

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

Matters Subsequent to the End of the Financial Year

A comprehensive response to the EMA Committee review questions was submitted to the EMA after market close on Friday 25 July 2014 (Australian Eastern Standard Time). This was announced before market open on Monday 28 July 2014 (ASX: TIS Reponse Lodged to EMA Review Questions). A positive response from the EMA review is the last step in the process for CE Mark to be granted to allow the sale of VitroGro® ECM in the EU (including the UK).

The response provided by Tissue Therapies to the EMA provides detailed answers to the review questions and is expected to result in a favourable EMA opinion during the second half of 2014, as previously announced (ASX: TIS Appendix 4D and CE Mark Update, 26 February 2014).

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 planned developments in the operations of the Group in future financial years are as follows:

Key Achievement / Indicative Milestone	Target
Granting of CE Mark and start of sales in the EU (including the UK)	2H 2014
Start of FDA pivotal clinical trial of VitroGro® ECM for the treatment of venous ulcers when funding of A$10.2M available	2015
Start global rollout of VitroGro® ECM launches outside the EU (excluding USA)	2H 2015
Start VitroGro® ECM sales in the USA for treatment of venous ulcers	26 months after start of clinical trial

Workforce Diversity

The Board recognizes 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 2014	30 June 2013
The Group		
Board[1]	25%	25%
Scientific Advisors	33%	33%
Executive and management	33%	38%
Total	31%	33%

[1] Non-executive Directors only

Options

At 30 June 2014, options over the un-issued shares of the Group are as follows:

Grant date	Date of Expiry	Exercise price	Number under option	
29/11/2007	2 years from each milestone achieved	$0.64	140,000	i
19/06/2012	4 July 2014	$0.59	950,000	ii
16/09/2013	3 years from the date they vest	15% premium to the 10 trading-day VWAP of TIS ordinary shares immediately prior to the achievement of the KPI	1,075,000	iii
25/10/2013	3 years from the date they vest	15% premium to the 10 trading-day VWAP of TIS ordinary shares immediately prior to the achievement of the KPI	325,000	iv
			2,490,000	

i Options issued to the CEO under the previous Company's Equity Option Plan in lieu of cash bonus. 400,000 options which vest on the achievement of certain Key Events were orinally issued. As at 30 June 2014, 260,000 of these options issued had expired.

ii Options issued to Key Personnel. These options vested on 15 June 2013. Subsequent to 30 June 2014, none of these options were exercised and they lapsed on the expiry date on 4 July 2014.

iii Options issued to key Tissue Therapies' staff and contractors under the current Equity Option Plan approved at AGM held on 12 November 2012. These Options issued 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.

iv Options issued to the CEO under the current Equity Option Plan. These Options issued 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.

No ordinary shares were issued on the exercise of options during the year ended 30 June 2014.

During the year 1,250,000 options lapsed.

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 report outlines the remuneration arrangements in place for the Directors and executives of Tissue Therapies Limited.

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.

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 remuneration of $400,000 per year.

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. No incentive payments are included.

Executive Director Remuneration

Objective: The Company aims to reward the Executive Directors with remuneration commensurate with their position and responsibilities. The CEO, Dr Steven Mercer, does not receive additional remuneration above his CEO salary to act as an Executive Director.

Structure: The Executive Directors receive a fixed annual amount in remuneration plus incentive payments for achievement of specific objectives.

Executive Remuneration

Chief Executive Officer

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

Structure: The CEO, Dr Steven Mercer is employed under contract. The current contract commenced on 27 September 2004. Dr Mercer's employment contract with the Company encompasses a curent total remuneration package of $327,477 per annum.

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 have an exercise price of 64c within two years of each tranche of options vesting. At 30 June 2014, 140,000 of these options remain unexpired, while 260,000 of these options had expired.

During June 2013 Dr Mercer was awarded a performance based cash bonus of $40,000. Achievement of this bonus was dependent on finalisation of all commercial and logistics arrangements in readiness for the commencement of sales in the EU once CE mark is achieved, development of health economic data for reimbursement and completion of manufacturing validation data for EMA and FDA. Dr Mercer's contract allows for a cash bonus of up to 25% of his salary package, the cash bonus awarded represents 13.3% of his salary package.

Dr Mercer was awarded a further 500,000 options in October 2013. These options issued only vest upon the achievement of two key performance indicators (KPI's). 175,000 options will 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, and the 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. The exercise price of these options will 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. The 175,000 options had lapsed by the end of the financial year.

During 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, since November 2013, the approval of the FDA for a venous leg ulcer trial. Dr Mercer's contract allows for a cash bonus of up to 25% of his salary package, the cash bonus awarded represents 11% of his salary package.

Company Secretary

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

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 $238,165 per annum. For the financial year ended 30 June 2014, Mr McKenzie was working part time and his salary for the year was consistent per the table below.

In September 2013, 250,000 options were awarded to Mr McKenzie. These options issued will only vest 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, and the remaining 125,000 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. The exercise price of these options will 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. 125,000 options had lapsed by the end of the financial year.

DIRECTORS' REPORT (CONTINUED)

Key Management Personnel Remuneration

Details of the nature and amount of each element of the emoluments to Key Management Personnel of Tissue Therapies Limited for the year ended 30 June 2014 are set out as follows:

		Primary		Post Employment	Share-based payment			
Key Management Personnel		**Cash Salary and fees**	**Bonus / Non-monetary benefits**	**Super-annuation**	**Equity**	**Options**	**Total**	**Performance related**
		$	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors								
R. Clarke (Chairman)	**2014**	**80,000**	**-**	**7,400**	**-**	**-**	**87,400**	**-**
	2013	60,000	-	5,400	-	-	65,400	-
M. Bridges	**2014**	**62,950**	**-**	**-**	**-**	**-**	**62,950**	**-**
	2013	59,952	-	-	-	-	59,952	-
I. Ross	**2014**	**63,092**	-	-	-	-	**63,092**	-
	2013	59,750	-	-	-	-	59,750	-
C. Hirst	**2014**	**57,750**	**-**	**5,342**	**-**	**-**	**63,092**	**-**
	2013	55,000	-	4,950	-	-	59,950	-
Executive Directors								
S. Mercer (CEO)	**2014**	**299,750**	**35,000**	**27,727**	**-**	**61,913**	**424,390**	**29.6%**
	2013	275,000	40,000	24,750	-	-	339,750	13.3%
Other Key Management Personnel								
D. McKenzie	**2014**	**174,400**	**-**	**16,132**	**-**	**23,813**	**214,345**	**12.5%**
	2013	166,666	-	15,000	-	-	181,666	-
Total	**2014**	**737,942**	**35,000**	**56,601**	**-**	**85,726**	**915,269**	**10.3%**
	2013	676,368	40,000	50,100	-	-	766,468	13.3%

Options issued to Employees and Key Management Personnel

During the year there were 2,650,000 (2013: nil) options issued under the Company's Equity Option Plan to Employees. Included in these options are options granted to Steven Mercer of 500,000 options and options granted to Drummond McKenzie of 250,000 options. 1,250,000 of these options lapsed by the end of the financial year.

The value of the options issued to Key Personnel has been fully amortised during the year with $266,700 (2013: $145,667) being included in the Statement of Profit or Loss and Other Comprehensive Income.

Key Management Personnel Option Holdings

Number of options held by Key Management Personnel:

Key Management Personnel	Balance 01.07.2013	Granted as compensation	Options exercised	Options expired	Balance 30.06.2014	Total Vested 30.06.2014	Total Exercisable 30.06.2014
Mr R Clarke	-	-	-	-	-	-	-
Dr M Bridges	-	-	-	-	-	-	-
Dr C Hirst	-	-	-	-	-	-	-
Mr I Ross	-	-	-	-	-	-	-
Dr S Mercer	140,000	500,000	-	175,000	465,000	140,000	140,000
Mr D McKenzie	-	250,000	-	125,000	125,000	-	-
Total	**140,000**	**750,000**	**-**	**300,000**	**590,000**	**140,000**	**140,000**

Key Management Personnel Share Holdings

Number of Shares held by Key Management Personnel:

Key Management Personnel	Balance 01.07.2013	Acquired in Rights Issue, Options Exercised and other purchases	Balance 30.06.2014
Mr R Clarke	5,200,000	550,000	5,750,000
Dr M Bridges	245,287	155,055	400,342
Dr C Hirst	281,250	31,250	312,500
Mr I Ross	-	66,000	66,000
Dr S Mercer	1,150,750	24,250	1,175,000
Mr D McKenzie	475,000	52,778	527,778
Total	**7,352,287**	**879,333**	**8,231,620**

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 terms of the contract.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	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
R Clarke	7	6	3	3	1	1	1	1
M Bridges	7	7	3	3	1	1	1	1
C Hirst	7	7	3	3	1	1	1	1
I Ross	7	7	3	3	1	1	1	1
S Mercer	7	7	n/a	n/a	n/a	n/a	n/a	n/a

DIRECTORS' REPORT (CONTINUED)

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 (formerly Lawler Hacketts Audit) has been appointed as 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 2014:

Non-audit services	**30 June 2014 $**	**30 June 2013 $**
Audit or review of regulatory returns and due diligence services	14,300	5,500

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.

Roger Clarke
Chairman
Brisbane, 19 August 2014

Steven Mercer
CEO & Director

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 2014 there have been no contravention 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

L J Murphy
Partner

Brisbane, 19 August 2014

PKF Hacketts Audit
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FINANCIAL STATEMENTS

TISSUE THERAPIES LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED 30 June 2014 $	CONSOLIDATED 30 June 2013 $
Continuing operations			
Revenue	2(a)	-	95,153
Other income	2(b)	229,069	186,071
		229,069	281,224
Research and development expenses		(1,001,483)	(1,029,716)
Clinical trials expenses		(16,373)	(137,531)
Occupancy expenses		(249,264)	(242,109)
Marketing and business development		(266,337)	(213,817)
Regulatory approvals		(846,104)	(553,472)
Intellectual property		(401,387)	(445,395)
Sales and distribution		(130,266)	(136,895)
Transport and logistics		(174,028)	(172,814)
Amortisation of non-current inventory		(67,901)	(67,900)
Employment expenses		(1,951,027)	(1,640,809)
Consultants		(904,805)	(724,694)
Administration expenses		(623,981)	(497,977)
Option expenses		(266,700)	(145,667)
Depreciation		(83,499)	(82,960)
Finance costs		(12,490)	(13,861)
Loss on foreign exchange		(388,902)	(82,343)
Other expenses		(178,150)	(144,334)
Loss before income tax	3	(7,333,628)	(6,051,070)
Income tax benefit	4(a)	504,037	310,976
Net loss from continuing operations		(6,829,591)	(5,740,094)
Other comprehensive income			
Items that may be reclassified to profit or loss			
- Exchange differences on translation of foreign operations		(9,210)	(8,781)
Other comprehensive income for the year, net of tax		(9,210)	(8,781)
Total comprehensive income for the year		(6,838,801)	(5,748,875)
Net loss attributable to members of the Company		(6,829,591)	(5,740,094)
Total comprehensive income attributable to members of the Company		(6,838,801)	(5,748,875)
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	25	(2.82)	(3.09)
Diluted earnings per share	25	(2.82)	(3.09)

The accompanying notes form part of these financial statements

FINANCIAL STATEMENTS

TISSUE THERAPIES LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	CONSOLIDATED 30 June 2014 $	CONSOLIDATED 30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents	5	7,077,387	4,862,425
Trade and other receivables	6	184,257	141,688
Current tax assets	4(c)	404,979	321,181
Inventories	7(a)	10,088,929	9,226,535
Derivative financial instruments	26	-	49,957
Other assets	8(a)	322,540	304,497
TOTAL CURRENT ASSETS		18,078,092	14,906,283
NON-CURRENT ASSETS			
Inventories	7(b)	169,751	237,652
Property, plant and equipment	9	241,072	307,282
Intangible assets	10	342,250	342,250
Other assets	8(b)	1,525	1,525
TOTAL NON-CURRENT ASSETS		754,598	888,709
TOTAL ASSETS		18,832,690	15,794,992
CURRENT LIABILITIES			
Trade and other payables	11	1,234,849	1,402,929
Current tax liabilities	4(e)	12,055	10,625
Provisions	12(a)	196,950	170,665
Derivative financial instruments	26	302,781	-
Other liabilities	13(a)	29,964	29,964
TOTAL CURRENT LIABILITIES		1,776,599	1,614,183
NON-CURRENT LIABILITIES			
Provisions	12(b)	91,349	77,610
Other liabilities	13(b)	104,999	134,961
TOTAL NON-CURRENT LIABILITIES		196,348	212,571
TOTAL LIABILITIES		1,972,947	1,826,754
NET ASSETS		16,859,743	13,968,238
EQUITY			
Contributed equity	14(a)	58,308,941	48,845,335
Reserves	15	415,166	157,676
Accumulated losses		(41,864,364)	(35,034,773)
TOTAL EQUITY		16,859,743	13,968,238

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

TISSUE THERAPIES LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED

		Reserves			
	Share Capital $	Option Reserve $	Foreign Exchange Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2012	39,740,331	123,998	(2,012)	(29,395,426)	10,466,891
Comprehensive income:					
- Loss for the year	-	-	-	(5,740,094)	(5,740,094)
- Other comprehensive income for the year	-	-	(8,781)	-	(8,781)
Total comprehensive income for the year	-	-	(8,781)	(5,740,094)	(5,748,875)
Transactions with owners in their capacity as owners, and other transfers:					
- Contributions of equity	9,948,367	(449)	-	-	9,947,918
- Transaction costs	(843,363)	-	-	-	(843,363)
- Employee share options	-	145,667	-	-	145,667
- Option reserve transferred	-	(100,747)	-	100,747	-
Total transactions with owners and other transfers	9,105,004	44,471	-	100,747	9,250,222
Balance at 30 June 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

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

TISSUE THERAPIES LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED 30 June 2014 $	CONSOLIDATED 30 June 2013 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		-	95,153
Payments for research, clinical trials and regulatory matters		(1,930,453)	(1,945,663)
Payments to suppliers and employees		(5,738,298)	(7,922,818)
Interest received		185,208	143,276
Finance costs paid		(12,490)	(13,861)
Income tax received/(paid)		421,670	388,500
Net cash provided by/(used in) operating activities	24(b)	(7,074,363)	(9,255,413)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(17,289)	(19,743)
Net cash provided by/(used in) investing activities		(17,289)	(19,743)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10,119,665	9,831,332
Costs of share issue		(803,841)	(843,363)
Net cash provided by/(used in) financing activities		9,315,824	8,987,969
Net increase / (decrease) in cash held		2,224,172	(287,187)
Cash and cash equivalents at beginning of year		4,862,425	5,158,393
Effects of exchange rate fluctuations on cash held		(9,210)	(8,781)
Cash and cash equivalents at end of year	24(a)	7,077,387	4,862,425

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 19 August 2014 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 29.

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 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.

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 national government 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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads.

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)).

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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Financial Instruments

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) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *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.

(iii) *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.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Financial Instruments (Continued)

(v) *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 available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2014.

Key Judgements – Inventory

The Group assessed the valuation of protein inventory on hand at 30 June 2014. 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 of VitroGro® production cells and reference protein by $67,901 (2013: $67,900). 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Uncertainty regarding the Recoverability of VitroGro® ECM Inventory

The Group has confirmed the classification of VitroGro® ECM as a medical device with the British Standards Institute (BSI), and the United Kingdom regulator, the Medicines and Healthcare products Regulatory Agency (MHRA). The European Medicines Agency (EMA) commenced its review of VitroGro® ECM manufacturing quality data in September 2013, and Tissue Therapies has responded to the questions raised by the EMA. A positive response from the EMA review is the final step to achieve regulatory approval for the commencement of sales, although there remains potential for a continued delay in achieving the regulatory approval needed for sales to commence in the EU. Directors believe such a delay is unlikely.

Current product shelf life is based on the manufacturer's stability data which is updated quarterly and on-going stability testing is continuing to extend product life. As a result of a potential delay in the commencement of sales of VitroGro® ECM there is uncertainty as to the recoverable value of the finished goods of VitroGro® ECM, unless an application to extend shelf life is successful and the cost of relabeling of the finished goods can be absorbed by the available margin in the sales price.

In assessing the recoverable value of the inventory of VitroGro® ECM, Management recognises that a routine process exists under the regulatory procedures allowing an extension to the shelf life for a period of time that can be supported by stability data available at the time. However, if at the conclusion of the EMA review, the BSI and EMA require that stability be determined on the same basis as that for medicinal products, under the current rules a shelf life extension would not be possible on this occasion despite the fact that, a) the product is unequivocally classified as a *Class III Medical Device*, b) shelf life has already been resolved during design examination (i.e. CE marking) and c) the possession of stability indicating data that supports an extension of shelf life.

In this regard, at 30 June 2014, and based on stability analysis already undertaken which indicates a stable profile for the commercial lifetime of the product, Management has assessed that the inventory of VitroGro® ECM is not impaired and no impairment provision has been raised.

Management is therefore confident that the carrying value of finished goods of VitroGro® ECM at 30 June 2014 is recoverable provided the following circumstances can be achieved:

- Regulatory resolution to allow sales of product in line with forecast sales, and
- The routine process under the relevant regulatory procedures allows an extension to the shelf life of the March 2012 batch at the time it is requested, and;
- The additional cost of relabeling the finished goods of VitroGro® ECM is absorbed by the available margin in the sales price.

The directors are confident that the carrying value of finished goods of VitroGro® ECM is recoverable.

No adjustments have therefore been made relating to the recoverability of recorded cost of finished goods of VitroGro® ECM.

s. New and Amended Accounting Policies Adopted by the Group

Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: *Consolidated Financial Statements;*
- AASB 12: *Disclosure of Interests in Other Entities; and*
- AASB 127: *Separate Financial Statements.*

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. New and Amended Accounting Policies Adopted by the Group (Continued)

The first-time application of AASB 10 does not have any significant impact to the Group's financial statements and comparative financial information.

	CONSOLIDATED	
	30 June 2014	**30 June 2013**
	$	**$**
NOTE 2: REVENUE / OTHER INCOME		
a) Revenue		
Research grants	-	95,153
Total revenue	-	95,153
b) Other income		
Interest received	229,069	186,071
Total other income	229,069	186,071
NOTE 3: EXPENSES		
Profit before tax includes the following specific expenses:		
Amortisation of non-current inventory	67,901	67,900
Realised (gains)/losses on foreign exchange	63,078	125,561
Unrealised (gains)/losses on foreign exchange	325,824	(43,218)
Rental expense on operating leases – minimum lease payments	186,117	206,257
NOTE 4: INCOME TAX		
a) The components of income tax benefit comprises		
Current tax	391,180	310,976
Under provision in respect of prior years	112,857	-
Total income tax benefit	504,037	310,976

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$
NOTE 4: INCOME TAX (Continued)		
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% (2013 : 30%)	2,200,088	1,815,321
Tax effect of:		
R&D expenditure taken as a cash offset	(269,986)	(268,104)
Other	(83,262)	(14,149)
Tax losses available	1,846,840	1,533,068
Tax losses utilised by:		
Income tax benefit attributable to R&D tax offset receivable	404,979	321,181
Income tax benefit attributable to R&D tax offset understated in prior years	112,857	-
Income tax expense	(13,799)	(10,205)
Income tax benefit relating to entity	504,037	310,976
The applicable weighted average effective tax rates are as follows:	(6.9%)	(5.1%)
c) Current Tax Asset		
Opening balance of R&D tax offset concession claimed	321,181	393,730
Add- R&D tax offset understated in prior years	112,857	-
Less- Income tax benefit attributable to R&D tax offset received	(434,038)	(393,730)
Add - Income tax benefit attributable to R&D tax offset receivable	404,979	321,181
Closing balance of research and development tax offset concession claimed	404,979	321,181
d) 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	1,195,888	924,484
Tax losses – operating losses	10,848,186	9,001,346
	12,044,074	9,925,830

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$

NOTE 4: INCOME TAX (Continued)

e) Current Tax Liabilities

Opening balance	10,625	5,649
Movement during the year	1,430	4,976
Closing balance of current tax liabilities	12,055	10,625

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	1,035,068	458,691
Short term bank deposits - at call *	6,042,319	4,403,734
	7,077,387	4,862,425

***** The deposits were in interest bearing floating rate accounts. Interest rates varied between 0.0% and 4.37% (2013: 0.0% to 4.40%).

Included in the short term bank deposits at call, is $1,000,000 (2013: $900,000) term deposit provided for bank guarantee in relation to the Foreign Exchange Forward Contract (Note 26: Financial Assets and Liabilities). Management believes that the FEC contract is cancellable at any time and therefore the term deposit bank guarantee can be withdrawn at anytime and presented as part of cash and cash equivalents in the Statement of Financial Position.

NOTE 6: TRADE AND OTHER RECEIVABLES

Current

GST/VAT receivable	78,733	80,025
Other receivables	105,524	61,663
	184,257	141,688

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$

NOTE 7: INVENTORIES

a) Current

VitroGro® ECM – at cost	7,404,701	6,596,642
VitroGro® ECM – Work-in-progress – at cost	2,684,228	2,629,893
	10,088,929	9,226,535

The inventory of finished goods of VitroGro® ECM is represented by a batch of VitroGro® ECM produced in March 2012 with a common shelf life of 18 months. At 30 June 2014, the current product shelf life of the inventory of VitroGro® ECM is 39 months which will expire in June 2015. Current product shelf life is based on the manufacturer's stability data which is updated quarterly and ongoing stability testing is continuing to extend product life. In assessing the recoverable value of the inventory of VitroGro® ECM, Management recognises that a routine process exists under the relevant health regulatory procedures allowing an extension to the shelf life for a period of time that can be supported by stability data available at the time. In this regard, at 30 June 2014, and based on stability analysis already undertaken which indicates a stable profile for the commercial lifetime of the product, Management has assessed that the inventory of VitroGro® ECM is not impaired and no impairment provision has been raised.

b) Non-current

VitroGro® production cells and reference protein – at cost	339,502	339,502
Less: Accumulated amortisation of VitroGro® production cells and reference protein	(169,751)	(101,850)
	169,751	237,652

- Production cells comprise a master cell bank used for reference purposes, and a working cell bank that expresses the VitroGro® ECM protein during fermentation.
- Reference protein is the standard protein source that all production batches are compared to in order to assess conformity to qualify acceptance criteria.

Both assets are amortised at 20% per annum on a straight line basis through to 31 December 2016.

NOTE 8: OTHER ASSETS

a) Other current assets

Prepayments		
- Clinical trials expenses	222,229	222,229
- Other	100,311	82,268
	322,540	304,497

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$
NOTE 8: OTHER ASSETS (Continued)		
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	(41,663)	(31,299)
	51,454	61,818
Furniture and fixtures – at cost	86,649	85,347
Less: Accumulated depreciation	(70,460)	(54,312)
	16,189	31,035
Computer hardware and software – at cost	91,884	75,886
Less: Accumulated depreciation	(53,418)	(26,382)
	38,466	49,504
Fit out – at cost	209,747	209,747
Less: Accumulated depreciation	(74,784)	(44,822)
	134,963	164,925
Total property, plant and equipment	241,072	307,282

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.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (Continued)

CONSOLIDATED	Plant and equipment	Furniture and fixtures	Computer hardware and software	Fit out	Total
	$	$	$	$	$
Carrying amount at 1 July 2012	72,187	44,717	58,707	194,888	370,499
Additions	-	5,314	14,429	-	19,743
Depreciation expense	(10,369)	(18,996)	(23,632)	(29,963)	(82,960)
Carrying amount at 30 June 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

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$
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 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

Current

Unsecured liabilities:		
Trade payables	903,255	1,203,483
Other payables and accruals	331,594	199,446
	1,234,849	1,402,929

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$
NOTE 12: PROVISIONS		
a) Current		
Provision for annual leave	196,950	170,665
b) Non-current		
Provision for long service leave	91,349	77,610
NOTE 13: OTHER LIABILITIES		
a) Current liabilities		
Deferred lease incentives	29,964	29,964
b) Non-current liabilities		
Deferred lease incentives	104,999	134,961
NOTE 14: ISSUED CAPITAL		
a) Share capital		
263,113,571 (2013: 214,250,604) fully paid ordinary shares	58,308,941	48,845,335

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 2012	169,357,192		39,740,331
09/07/12	Ordinary shares issued on exercise of Options	25,000	17c	4,199
29/08/12	Ordinary shares issued under Placement	3,000,000	37c	1,110,000
22/11/12	Ordinary shares issued to consultant for consultancy services	125,394	45c	57,013
01/03/13	Ordinary shares issued under Placement	41,512,297	21c	8,717,582
07/05/13	Ordinary shares issued to consultant for consultancy services	230,721	26c	59,573
	Transaction costs arising from share issues			(843,363)
	Balance at 30 June 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

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 2014	30 June 2013
	$	$
NOTE 15: RESERVES		
Option reserve	435,169	168,469
Foreign exchange translation reserve	(20,003)	(10,793)
	415,166	157,676

a) Option Reserve

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

Movement		
Balance at beginning of year	168,469	123,998
Amortisation of options granted during the year	266,700	145,667
Options exercised during the year	-	(449)
Expired options reserve transfer to retained earnings	-	(100,747)
Balance at end of year	435,169	168,469

b) Foreign Exchange Translation Reserve

Movement		
Balance at beginning of year	(10,793)	(2,012)
Movement during the year	(9,210)	(8,781)
Balance at end of year	(20,003)	(10,793)

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	44,440	39,000
Non-audit services		
Audit / review of regulatory returns and due diligence services – PKF Hacketts Corporate Advisory	14,300	5,500
	58,740	44,500

NOTE 17: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, 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.

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.

c) 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.

d) 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 at 30 June 2014:

- On 29 November 2007, 400,000 share options were granted to the CEO 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 2014, 140,000 of these options remain unexpired, while 260,000 of these options had expired.
- 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 expire 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 2014, 1,075,000 of these options had lapsed and the remaining 1,075,000 options remain.
- On 25 October 2013, 500,000 share options were approved and granted to the CEO 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 2014, 175,000 of these options had lapsed and the remaining 325,000 options remain.
- On 7 January 2014, 409,332 ordinary shares were issued at $0.18 per share for a total of non-cash consideration of $72,227, to Mr Geoff Morris and Mr Ron Shannon, for the period from 1 April 2013 to 30 September 2013, under consultancy agreements under which the consultants provides consultancy services to Tissue Therapies.
- On 8 April 2014, 264,755 ordinary shares were issued at $0.29 per share for a total of non-cash consideration of $75,555, to Mr Geoff Morris and Mr Ron Shannon, for the period from 1 October 2013 to 31 March 2014, under consultancy agreements under which the consultants provides consultancy services to Tissue Therapies.

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

	2014		2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Movement in Options				
Outstanding at the beginning of the year	1,090,000	0.60	1,680,000	0.33
Granted	2,650,000	0.37	-	-
Forfeited	-	-	-	-
Exercised	-	-	(25,000)	0.15
Expired	(1,250,000)	0.37	(565,000)	0.28
Outstanding at end of the year	2,490,000	0.47	1,090,000	0.60
Exercisable at end of the year	140,000	0.64	140,000	0.64

NOTE 18: SHARE-BASED PAYMENTS (Continued)

There were no options exercised during the year ended 30 June 2014.

The options outstanding at 30 June 2014 had a weighted average exercise price of $0.47 (2013: $0.60) and a weighted average remaining contractual life of 0.16 (2013: 1.15) years. Exercise prices range from $0.37 to $0.64 in respect of options outstanding at 30 June 2014.

The expense for options for the year ended 30 June 2014 in the Statement of Profit or Loss and Other Comprehensive Income is $266,700 (2013: $145,667) which relates, in full, to equity-settled share-based payment transactions.

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$
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	1,759,791	1,480,365
Later than one year but not later than 5 years	739,392	821,954
Later than 5 years	-	111,000
	2,499,183	2,413,319

NOTE 20: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has entered into a Deed of Assignment of Intellectual Property Rights with Queensland University of Technology ("QUT"), under which QUT will assign the Intellectual Property to the Company on the payment of $100,000 by the Company and the satisfaction of certain preconditions regarding, among other things, its level of cash reserves, the Company's share price and a minimum level of expenditure under the R&D Agreement. The Directors are not able to reasonably determine at this point in time when the above pre-conditions are likely to be satisfied.

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.

The following transactions occurred with related parties:

Key management personnel

The Company has incurred share issue transaction costs of $637,747 (2013: $269,979) to Morgans Corporate Limited (previously RBS Morgans Corporate Limited) for its part in the share placement in November 2013 and rights issue in December 2013. Roger Clarke is Chairman of Board of Advice of Morgans Corporate Limited.

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

A comprehensive response to the EMA Committee review questions was submitted to the EMA after market close on Friday 25 July 2014 (Australian Eastern Standard Time). This was announced before market open on Monday 28 July 2014 (**ASX: TIS** Reponse Lodged to EMA Review Questions). A positive response from the EMA review is the last step in the process for CE Mark to be granted to allow the sale of VitroGro® ECM in the EU (including the UK).

The response provided by Tissue Therapies to the EMA provides detailed answers to the review questions and is expected to result in a favourable EMA opinion during the second half of 2014, as previously announced (**ASX: TIS** Appendix 4D and CE Mark Update, 26 February 2014).

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.

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$

NOTE 24: CASH FLOW INFORMATION

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	7,077,387	4,862,425

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$
NOTE 24: CASH FLOW INFORMATION (Continued)		
b) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax benefit	(6,829,591)	(5,740,094)
Non-cash flows in loss from ordinary activities		
Depreciation	83,499	82,960
Amortisation of deferred lease incentives	(29,962)	(29,964)
Unrealised exchange (gain)/losses	302,781	(49,957)
Inventory write down to net realisable value	67,900	67,900
Non-cash consultant fees	147,782	116,586
Amortisation of option expenses	266,700	145,667
Changes in assets and liabilities		
(Increase)/ decrease in receivables	7,389	(19,297)
(Increase) / decrease in inventory	(862,394)	(3,242,994)
(Increase) / decrease in current tax assets	(83,798)	72,549
(Increase) / decrease in other assets	(18,043)	(50,125)
Increase / (decrease) in payables and provisions	(128,056)	(613,620)
Increase / (decrease) in current tax liabilities	1,430	4,976
Cash flow from operating activities	(7,074,363)	(9,255,413)
c) Non-cash Investing and Financing activity		
Shares issued for consulting services	147,782	116,586

	CONSOLIDATED	
	30 June 2014	30 June 2013
	$	$
NOTE 25: EARNINGS PER SHARE		
Loss after income tax benefit attributable to the Company	(6,829,591)	(5,740,094)
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	241,814,694	185,882,745
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	241,814,694	185,882,745

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	(2.82)	(3.09)
Diluted earnings per share	(2.82)	(3.09)

NOTE 26: DERIVATIVE FINANCIAL INSTRUMENTS

Forward Exchange Contracts

The Group has open forward exchange contracts at the end of the reporting period relating to highly probable forecast transactions and recognised financial assets and liabilities. These forward exchange contracts commit the Group to buy and sell specified amounts of foreign currencies in the future as specified exchange rates.

The following table summarises the notional amounts of the Group's commitments in relation to forward exchange contracts. 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 26: DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Notional Amount		Average exchange rate	
	2014	2013	2014	2013
	$	$		
Buy USD / sell AUD				
Settlement – (2013: 30 September 2013)				
- Buy USD with a variable asset value of AUD as at 30 June of	-	845,298	0.9226	0.9226
- Sell AUD for a fixed liability amount of	-	(844,115)	0.9288	0.9288
Net gain/(loss)	-	1,183		
Buy EUR / sell AUD				
Settlement – expire on 19 December 2014 (2013: 30 September 2013)				
- Buy EUR with a variable asset value of AUD as at 30 June of	2,093,684	232,949	0.6800	0.7061
- Sell AUD for a fixed liability amount of	(2,356,229)	(220,119)	0.6030	0.7475
Net gain/(loss)	(262,545)	12,830		
Buy GBP / sell AUD				
Settlement – expire on 19 December 2014 (2013: 30 September 2013)				
- Buy GBP with a variable asset value of AUD as at 30 June of	486,132	607,195	0.5454	0.6068
- Sell AUD for a fixed liability amount of	(526,368)	(571,251)	0.5033	0.6450
Net gain/(loss)	(40,236)	35,944		
Net unrealised gain/(loss) at 30 June	**(302,781)**	**49,957**		

NOTE 27: CHANGE IN ACCOUNTING POLICY

New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting 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 made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, 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 AASB 9, 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 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

  Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

  AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

  AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

	30 June 2014 $	30 June 2013 $

NOTE 28: 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.

STATEMENT OF FINANCIAL POSITION

ASSETS		
Current assets	18,033,795	14,878,720
Non-current assets	766,846	899,578
TOTAL ASSETS	18,800,641	15,778,298
LIABILITIES		
Current liabilities	1,845,092	1,655,393
Non-current liabilities	196,349	212,571
TOTAL LIABILITIES	2,041,441	1,867,964
NET ASSETS	16,759,200	13,910,334
EQUITY		
Contributed equity	58,308,941	48,845,335
Reserves	435,169	168,469
Accumulated losses	(41,984,910)	(35,103,470)
TOTAL EQUITY	16,759,200	13,910,334

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Total losses	(6,881,440)	(5,783,658)
Total comprehensive income	(6,881,440)	(5,783,658)

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.

NOTE 28: PARENT INFORMATION (Continued)

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 commitment only.

NOTE 29: 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 30: 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 11 to 41, 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 2014 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.

Roger Clarke
Chairman
Brisbane, 19 August 2014

Steven Mercer
CEO & Director

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 2014, 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 entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation 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 and 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 2014 and of its 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.

Emphasis of Matter

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(r) to the financial statements, there is uncertainty as to whether the carrying value of finished goods of VitroGro® ECM as at 30 June 2014 is recoverable.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of the Directors' Report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

PKF HACKETTS

PKF Hacketts Audit
Brisbane, 19 August 2014

L J Murphy
Partner

Shareholder Information

Information shown was current as of the 4th August 2014.

Distribution of equity securities

Ranges	Number of Investors	Number of shares	% Issued Capital
1 to 1,000	314	69,100	0.03%
1,001 to 5,000	588	1,789,460	0.68%
5,001 to 10,000	463	3,750,949	1.43%
10,001 to 50,000	1,081	27,231,511	10.35%
50,001 to 100,000	288	21,591,831	8.21%
100,001 and over	337	208,680,720	79.31%
Total	3,071	263,113,571	100.00%

The number of security investors holding less than a marketable parcel of 1,755 securities ($0.285 on 04/08/2014) is 407 and they hold 196,491 securities.

Distribution of unquoted equity securities

Ranges	Number of Holders	Number of options on Issue	% Options Issued
1 to 1,000	-	-	-
1,001 to 5000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 50,000	-	-	-
50,001 to 100,000	1	75,000	4.87%
100,001 and over	9	1,465,000	95.13%
Total	10	1,540,000	100.00%

140,000 exercisable at $0.64 and 1,400,000 exercisable at 15% premium to the 10 trading-day VWAP of TIS ordinary shares immediately prior to the achievement of the KPI.

Substantial shareholders

There are two substantial shareholders.

Name of Investor	Number of shares	% Issued Capital
Allan Gray Australia Pty Limited	41,457,428	15.80%
Asia Union Investments Pty Limited	23,364,887	8.88%

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

Information shown was current as of the 4th August 2014.

Rank	Name of Investor	Number of shares	% Issued Capital
1	Asia Union Investments Pty Limited	23,364,887	8.88%
2	JP Morgan Nominees Australia Limited	21,286,316	8.09%
3	HSBC Custody Nominees (Australia) Limited	17,326,848	6.59%
4	Citicorp Nominees Pty Limited	14,470,985	5.50%
5	Queensland University of Technology	8,087,010	3.07%
6	National Nominees Limited	7,878,120	2.99%
7	Aslog Holding Ltd	7,523,809	2.86%
8	Mr Thai Quoc Tang	5,467,000	2.08%
9	Mr Roger Brian Clarke & Mrs Barbara Joan Clarke <Roger B Clarke Family A/C>	4,600,000	1.75%
10	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	4,310,706	1.64%
11	Berne No 132 Nominees Pty Ltd <323731 A/C>	2,594,292	0.99%
12	Mr Paul Robert Baster & Ms Catherine Bellemore <The Avenue S/F A/C>	1,624,612	0.62%
13	Berne No 132 Nominees Pty Ltd <323723 A/C>	1,539,042	0.58%
14	Mr Wayne Martin & Mrs Anthea Martin	1,500,000	0.57%
15	Mr Edward William Gallop & Ms Glenda Joy Gallop <Gallop Family S/F/A/C>	1,437,000	0.55%
16	HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	1,316,191	0.50%
17	Mr Hans-Christian Kleist	1,299,552	0.49%
18	Mr Steven John Mercer <LJL Account>	1,175,000	0.45%
19	Kelwick Pty Ltd <Clarke Super Fund A/C>	1,150,000	0.44%
20	Mr Rohan John Armstrong	1,113,648	0.42%
Total		129,065,018	49.05%

There are 3,051 other investors out of a total of 3,071 investors		
Total shares held by other investors:	134,048,553	50.95%
Grand Total:	263,113,571	100.00%

TISSUE THERAPIES