Appendix 4E

Preliminary Final Report

Name of entity

Admedus Limited

ABN

35 088 221 078

Financial year ended (“current period”)

30 June 2014

For announcement to the market ***$A’000’s***

Revenues from ordinary activities	Up	7.09%	to	7,941
Loss from ordinary activities after tax	Up	239.37%	to	(8,208)
Loss for the year attributable to members	Up	249.63%	to	(6,616)

Dividends	**Amount per security**	**Franked amount per security**
Final dividend proposed	NIL¢	NIL¢
Interim dividend	NIL¢	NIL¢
	2014	**2013**
Net Tangible Asset Backing	2.08 cents	0.50 cents

Results Commentary

RESULTS

Admedus’ results for the financial year ending June 30, 2014 reflect a productive period for the Company as it continued to establish itself as a diversified global healthcare company with growing revenues. During the year, the Company has continued to build its sales, marketing and operational infrastructure to support the manufacture and international roll-out of CardioCel® and to progress its technology pipeline in regenerative medicine and therapeutic vaccines.

Admedus was recognised with several industry awards during the year, including Ausbiotech’s “Emerging Company of the Year” which was presented at the Ausbiotech Conference in October 2013 and the Frost & Sullivan “Innovative Product of the Year” award for CardioCel®.

The overall loss for the year attributable to members was up from the previous year to $6.6M. Results are reflective of the expenditure to complete the first clinical study for the Herpes Simplex Virus 2 (HSV-2) programme in Admedus Vaccines, additional costs incurred within the Admedus Biomanufacturing facility, additional regulatory costs and R&D expenditure for CardioCel®, as well as the commercialisation costs to set up sales channels in key markets.

For the 12 months ended June 30, 2014 Admedus’ revenue was $7.9m, an increase of 7% over the previous year. When combined with additional income from tax rebates and grants, Admedus’ total revenue was over $10M.

The Company completed two successful capital raisings during the period which raised a combined total of $29M. Admedus had a closing cash balance of $19.6M, up from $2.4M at the corresponding period last year, which included the majority of a $1.9m grant awarded in the previous financial year through Commercialisation Australia, an Australian Government programme.

OPERATIONS

Sales & Marketing Division

The Sales and Marketing Division had another growth year with revenue of $7.9M, up 7% from the previous year. During the past 12 months this Division has continued to focus on building its infusion systems portfolio within the Australian market and has expanded globally to build the demand from international markets for CardioCel®. The Sales and Marketing Division currently has 30 employees across the various sales and clinical teams in the US, Europe and Asia Pacific.

With operational and sales and marketing footprints now established in Europe, the US and in the Asia Pacific region, the Sales and Marketing Division is well positioned to grow sales for CardioCel® and our other products.

Admedus Regenerative Medicine Division

The past year has seen two major milestones for the Regenerative Medicine Division with CardioCel® receiving regulatory approvals in both Europe and in the US. This is significant in a number of ways:

European approval of CardioCel®. This was the first approval for CardioCel®, which is important, because it enables the Company to not only generate revenue from the product, but also to leverage the European approval to gain marketing approval in other jurisdictions.

US market clearance. This further strengthens Admedus' ability to grow revenue through the sales of CardioCel® in the single largest market for the product. In addition, the US market clearance covers a broader range of applications than the initial European approval and therefore provides potential for additional uses in cardiovascular surgery.

The approval of CardioCel® provides initial validation for the product as well as for the core technology, the ADAPT Manufacturing Process.

CardioCel® is the first in-house regenerative product developed by Admedus and the Company intends to leverage the initial approvals to expand its product range in the cardiovascular space and to develop additional products for other surgical applications.

With the success of these regulatory approvals, the Regenerative Medicine division is positioned well for additional growth and to benefit from the achievements of the previous 12 months.

Admedus Biomanufacturing Division

In December 2013, the Company acquired Admedus Biomanufacturing Pty Ltd, which holds a lease over a pre-established manufacturing facility that has the capacity meet the expected international demand for CardioCel®. The Company recently celebrated the official opening of this new facility which also coincided with the first shipment of CardioCel® to the US, which was produced at this new site.

Admedus Vaccines

Admedus Vaccines initiated and completed the first clinical study for the Herpes Simplex Virus 2 (HSV-2) programme during the financial year. The Study was designed to investigate whether individuals with no prior exposure to HSV-2 could generate some immunity against the virus. The Study had a positive outcome, with the vaccine being shown to be safe as well as being able to stimulate a T-cell response.

Annual General Meeting

The Annual General Meeting will be held on the 14th of November 2014.

Audit

The financial statements on which this report is based have been audited.

ADMEDUS LIMITED (formerly Allied Healthcare Group Ltd)
(ABN 35 088 221 078)

ANNUAL REPORT 30 JUNE 2014

CORPORATE DIRECTORY

Registered Office and Principal Place of Business

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Auditors

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38 Station Street
Subiaco, Western Australia 6008

Share Registry

Computershare Investor Services Pty Ltd
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Stock Exchange

Shares listed on the Australian Stock Exchange

ASX Code: AHZ

Solicitors

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Perth, Western Australia 6000

Bankers

ANZ
77 St Georges Terrace
Perth, Western Australia 6000

CONTENTS

DIRECTORS' REPORT

Your Directors present their report on Admedus Limited ("the Company") and the consolidated entity (referred to hereafter as the Group) for the year ended 30 June 2014.

DIRECTORS

The Directors of the Company in office during the financial year and until the date of this report are as follows. (Directors were in office for the entire period unless otherwise stated).

- Chris Catlow
- Lee Rodne
- Graeme Rowley
- Michael Bennett
- Peter Turvey

PRINCIPAL ACTIVITIES

During the year, the principal continuing activity of the Group consisted of:

- Providing quality innovative medical devices and best of class products and services to the Australasian Healthcare market and the development of biotech products for the international medical market.

OPERATING RESULT

The operating result for the year:

	CONSOLIDATED	
	2014	2013
	$	$
Loss before Income Tax	**(10,098,005)**	(3,023,324)
Income Tax benefit	**1,890,290**	604,827
Loss for the Year	**(8,207,715)**	(2,418,497)

DIVIDENDS

No dividend was paid during the year and the Board has not recommended the payment of a dividend.

SHARE CAPITAL

1,441,087,921 Ordinary Shares and 109,983,334 Unlisted Options were on issue as at 30 June 2014.

OPERATING AND FINANCIAL REVIEW

Group Overview

The Company's Mission is to make a difference to patients' lives. We will do this by bringing innovative technologies and products to market which have the ability to prevent, treat and repair, and to positively influence patient outcomes and improve their quality of life.

Admedus Limited is a diversified healthcare company focused on developing next generation technologies with world class partners, acquiring strategic assets to grow its product and service offerings and expanding revenues from its existing medical sales and distribution business. The Company has operations in Research & Development, Clinical Development and Sales, Marketing and Distribution.

The Group is in the process of commercialising its innovative tissue engineering technology for regenerative medicine and during the year received marketing approval in Europe and marketing clearance in the US for its lead product CardioCel®. Admedus is also developing the next generation of vaccines with a Brisbane-based research group led by Professor Ian Frazer. The vaccine programmes target diseases with significant global potential such as Herpes and Human Papillomavirus.

Review of Operations

The loss for the consolidated entity after providing for income tax and non-controlling interests amounted to $6,616,498 (2013: $1,892,406). Key factors contributing to the current year's performance are discussed below:

Sales for the Company over the period was $7.9M, an increase of 7% on the prior year, with additional income for the Company from tax rebates and Government grants, bringing the total income for the group to over $10M for the year. This was an increase in revenue and overall income for the Company compared to the corresponding period last year and a reflection of continued growth.

As at 30 June 2013, Admedus held 50.3% of Admedus Vaccines. During the year the Company acquired additional shares in Admedus Vaccines to increase this holding to 57.2% at 30 June 2014. In July 2014 the Company announced that it had acquired additional shares to increase its holding in Admedus Vaccines to 66.3%.

DIRECTORS' REPORT (continued)

During the year, the Company acquired a company (now called Admedus Biomanufacturing) which holds a lease over a modern manufacturing facility. The facility has been modified to be capable of meeting the expected global demand for CardioCel®. Preparations for production from the new facility commenced in January 2013 and the first batch of CardioCel® produced at the facility was recently shipped to the US for sale.

With the acquisition of Admedus Biomanufacturing and the establishment of sales and marketing companies in the USA, Europe and Singapore, the Group's employment costs have increased significantly. Similarly administration costs, travel expenses and operational costs have increased in line with the Group's activities during the year. The research and development and consultancy costs have increased due to regulatory expenditures for CardioCel® and as a result of undertaking the Phase I clinical trial for the HSV-2 vaccine.

Financial Position

During the year the Company issued new shares to raise $29.5M, and at 30 June 2014 had $19.5M cash, compared to $2.4M a year earlier.

During the period, inventory levels have increased mainly due to the opening requirements for CardioCel® in the US and Europe as well as purchases of infusion product inventory received close to year end. Property, plant and equipment balance increased significantly during the year, due to the acquisition of Admedus Biomanufacturing. The property, plant and equipment was recently assigned an independent fair value of $3.1M The intangibles have decreased from $11.1M to $9.9M due to amortisation of intellectual property held within Admedus Vaccines and Regenerative Medicine Divisions.

The current trade and other payables balance increased during the year due to movement of the stand-by letter of credit payable to Arcomed AG, from non-current trade and other payables. The current and non-current provisions have increased due to the addition of new employees and the inclusion of a restoration provision in relation to the lease over the Admedus Biomanufacturing facility.

Material Business Risks

The Group has identified the below specific risks which could impact upon its future prospects.

Commercial risk

As with all businesses there is always a commercial risk that not all customers will use your product, or that competing products are used in preference to the Company's product. With CardioCel® now on the market in Europe and the US, the Company is pursuing additional approvals in other jurisdictions. Since launching the product, the Company has made good progress with CardioCel® now being used in key cardiac centres in Europe, with a similar plan for the US and the rest of the world. With the sales and marketing of CardioCel® within the Admedus Group, the Company reduces the risk of third party distribution issues. To further decrease the commercial risk, Admedus' sales teams are working diligently to increase the exposure of CardioCel® to cardiothoracic surgeons globally.

Admedus is also undertaking several R&D programmes to continue expansion of its intellectual property portfolio as well as developing additional products for the regenerative medicine portfolio to further reduce the possibility of commercial risk.
The Company currently maintains a range of patents across the various technologies and continues to monitor these patents as well as exploring new patents based on the research and development currently being undertaken by the Company.

Clinical trial risk

The development of innovative products in the biomedical and healthcare industries is inherently risky and subject to many factors beyond the Company's control. The market clearance of CardioCel® in Europe and the US reduces the risk for this product, but the Company will continue to monitor the risks as it continues clinical studies and product development within its regenerative medicine division.
The therapeutic vaccines are in early stages of development and have a level of clinical risk.

Competition

Across the various markets that Admedus is active in, the Company continues to monitor competitors. The technology developed by Admedus has advantages over other products on the market; however it is highly likely that other companies and organisations may be trying to develop competing products.

There can be no assurance that the Group's competitors will not succeed in developing technologies and products that are as good as the Admedus technology or more effective than any which are being developed by the Group.

Despite the existence of a general statutory framework in Australia and international conventions which are intended to protect against certain anti-competitive practices, there can be no assurance that the applicable laws will be enforced sufficiently to protect the Group from anti-competitive practices by its competitors or that major competitors will not use their strategic positions to gain a competitive advantage in some future period, whether by means of price reductions or by other means.

DIRECTORS' REPORT (continued)

Financial performance

To date Admedus has not declared a dividend. The amount, timing and payment of any dividend will depend on a range of factors, including future capital and research and development requirements and the financial position generally of the Group at the time. There will also be factors that affect the ability of the Group to pay dividends and the timing of those dividends that will be outside the control of the Group and its Directors. The Directors are, therefore, unable to give any assurance regarding the payment of dividends in the future.

Intellectual property

The Group's success will depend, in part, on its ability to obtain adequate and valid patent protection, maintain trade secret protection and operate without infringing the proprietary rights of third parties or having third parties circumvent the Group's rights.

While the Group believes it has taken appropriate steps to protect its proprietary technology, the law may not adequately protect it in all places the Group does business or enable the Group's rights to be enforced with sufficient adequacy.

The enforceability of a patent is dependent on a number of factors which may vary between jurisdictions, including the validity of the patent and the scope of protection it provides. The validity of a patent depends upon factors such as the novelty of the invention, the requirement in many jurisdictions that the invention not be obvious in light of the prior art (including any prior use or documentary disclosure of the invention), the utility of the invention and the extent to which the patent specification clearly discloses the best method of working or carrying out the invention. The legal interpretation of these requirements often varies between jurisdictions. The scope of rights provided by a patent can also differ between jurisdictions. There can be no assurance even if the Group succeeded or succeeds in obtaining the grant of patents, that others will not seek to imitate the Group's products, and in doing so, attempt to design their products in such a way as to circumvent the Group patent rights. Additionally, the ability of the legal process to provide efficient and effective procedures for dealing with actual or suspected infringements can vary considerably between jurisdictions.

Regarding the Group's patent applications, no guarantee can be given that such protection will be obtained by the Group. If such patents are not granted, it may be possible for a third party to imitate and use the Group's intellectual property without its authorisation or to develop and use similar technology independently. The Group will pursue vigorously both its existing and all future patent applications for Australian and foreign patent applications. No guarantee can be given nor does the grant of a patent guarantee that the patent concerned is valid or that the patented technology does not infringe the rights of others.

The Group may wish to expand into additional foreign countries in the future and the laws of many foreign countries treat the protection of proprietary rights differently from the laws in Australia. Those laws may not protect the Group's proprietary rights to the same extent as do laws in Australia.

Staff

Admedus' success is dependent on the skills and abilities of its employees. As a result, the Company maintains a positive work environment and incentives for staff to perform well. Competition for skilled employees can be intense and there can be no assurance that the Group will be able to retain its key managerial, research and development, and technical employees or that it will be able to attract and retain additional highly qualified personnel in the future. The inability to attract and retain the necessary personnel could have a material and adverse effect upon the Group's business, results of operations and financial condition.

Likely Developments

Outlook

The next 12 months for Admedus is about continuing to grow revenue from existing products, additional regulatory approvals for CardioCel®, increasing the scale up of manufacturing for CardioCel®, progressing our regenerative medicine pipeline and the continued development of the therapeutic vaccine technology developed by Professor Ian Frazer.

For the next year, Admedus will continue to progress with the global launch of CardioCel®, having now established sales teams in Europe, Singapore and the US. These sales teams are focused on gaining initial use of CardioCel® in key centres across these regions with a goal of increasing the awareness of the product and its benefits over alternatives to surgeons around the world. The Company will also be seeking marketing approvals in additional jurisdictions to expand use and increase revenue. With the continued launch of CardioCel®, the Company anticipates growth in sales for CardioCel® as well as an increase in overall Company revenue in the next 12 months.

In addition, the Company will continue to work with Professor Ian Frazer on the development of therapeutic vaccines. The lead programme targeting HSV-2 has completed the Phase I clinical study and the Company is looking forward to it progressing into a Phase II clinical study later this year.

Business Strategies

The Group's business strategies to achieve the above goals include:

- The continued uptake of CardioCel® into European and US surgical centres;
- Additional market approvals for CardioCel®, including Singapore and Canada;
- Growing the manufacturing capabilities at the Malaga manufacturing site;
- Expanding the uses for CardioCel® within the cardiovascular therapeutic area;
- Continuing product development of other ADAPT products to expand the regenerative tissue portfolio;
- Progressing the clinical development of the therapeutic vaccines, in particular the HSV-2 vaccine into a Phase II clinical study and the HPV therapeutic vaccine into a Phase I study.

The next 12 months and beyond will be a period of continued revenue growth, product development and R&D focus as the Company expands into global markets as an integrated healthcare company. This will provide Admedus with growing revenue, an expanding portfolio of regenerative tissue products and exciting programmes in therapeutic vaccines.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report and the Financial Statements.

During the financial period, Admedus Investments Pty Ltd, a subsidiary of Admedus Ltd, acquired additional shares in several tranches in Admedus Vaccines Pty Ltd to increase its interest to 57%. Admedus Vaccines is a medical research and development business and operates in the Vaccine Division of the consolidated entity. More recently the Company announced the additional investment into Admedus Vaccines to increase the shareholding to 66.3%.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 22 July 2014, the Group announced that 100,000 options were exercised at $0.06.

On 24 July 2014, the Group announced the additional investment into Admedus Vaccines to increase the shareholding to 66.3%.

On 14 August 2014, the Group announced the Admedus Biomanufacturing facility would be officially opened on 15 August 2014 and it that it had shipped the first batch of CardioCel® produced at the new facility to the US for sale.

ENVIRONMENTAL REGULATIONS

The Company is subject to environmental regulation and other licences in connection with its research, development and manufacturing. The Company complies with all relevant Federal, State and Local environmental regulations. The Board is not aware of any breach of applicable environmental regulations by the Company.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group have reviewed the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007* and the Group is not currently subject to any reporting obligations.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's Interest in Shares and Options of the Company	
			Ordinary Shares	**Options**
C. Catlow	Non-Executive Chairman appointed 16 June 2011. Qualification: Mr Catlow has over 26 years' experience in various senior roles in major operating companies and has considerable experience in raising both equity and debt for large projects. Mr Catlow was the inaugural CFO and senior executive for 7 years at Fortescue Metals Group Ltd and played a central role in its development and in raising more than US$4 billion. Other current directorships Sirius Minerals Plc: and Indo Mines Ltd. Former directorships in last 3 years None	Chairman Chair of audit committee Chair of remuneration committee	17,807,411	16,900,000
L. Rodne	Executive Director appointed as Managing Director 16 June 2011. Qualification: Mr Rodne has over 17 years of leadership experience in healthcare, technology, medical devices, and mining & renewable energy sectors in North America, UK and Australia. Mr Rodne has been in executive leadership roles in both public and private enterprises. Mr Rodne also led consulting services to the U.S. Healthcare, Device and Technology industries including Hospitals, Clinics, Multi-National Medical Device companies, Healthcare Insurance markets and various technology driven companies. Other current directorships None Former directorships in last 3 years None	Managing Director	26,279,398	23,000,000

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's Interest in Shares and Options of the Company	
			Ordinary Shares	Options
G. Rowley	Non-Executive Director appointed 16 June 2011. Qualification: Mr Rowley played a central role in the development of Fortescue Metals Group Ltd from its inception in 2003. Previously he was an executive with Rio Tinto Plc holding senior positions in Hamersley Iron and Argyle Diamonds. Other current directorships Fortescue Metals Group Limited Former directorships in last 3 years None	Member of audit committee Member of remuneration committee	20,059,215	8,500,000
M. Bennett	Executive Director appointed as Managing Director since 16 July 2003. Resigned as Managing Director and appointed Executive Director since 16 June 2011. Qualification: Mr Bennett has over 36 years sales and marketing experience working for US and European medical device companies and has been involved in the introduction of many new medical and surgical device technologies to the Australian market. Since 1979 he owned and operated his own private surgical supply company and has exclusively represented some major overseas medical device manufacturing companies. Other current directorships None Former directorships in last 3 years None	Nil	12,494,000	3,800,000
P. Turvey	Non-Executive Director appointed 18 May 2012. Qualification: Mr Turvey has spent the last 29 years involved in the biotechnology industry, most of which were as General Counsel and Company Secretary in Australia's largest biotechnology company, CSL Limited. Mr Turvey was heavily involved in CSL's acquisitions and divestments over those years and directly responsible for the protection and licensing of its intellectual property. Other current directorships Starpharma Holdings Limited Former directorships in last 3 years None	Member of audit committee	2,442,202	1,166,667

DIRECTORS' REPORT (continued)

COMPANY SECRETARY

Stephen Mann has over ten years of experience in a variety of business finance, accounting, risk and administration roles. He is experienced in the areas of accounting, corporate governance, operational and financial management. He holds a Bachelor of Business Degree (Acc & Bus Law) and is a member of the Institute of Chartered Accountants.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

Directors	Full Meetings of Directors		Meetings of Audit Committee		Meetings of Remuneration Committee	
	A	B	A	B	A	B
Chris Catlow	5	5	3	3	1	1
Lee Rodne	5	5	**	**	**	**
Graeme Rowley	3	5	1	3	1	1
Michael Bennett	5	5	**	**	**	**
Peter Turvey	5	5	3	3	**	**

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
** = Not a member of the relevant committee

The Board meets regularly on an informal basis in addition to the above meetings.

Details of the membership of the committees of the Board are presented in the Corporate Governance Statement.

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

A Principles Used To Determine the Nature and Amount of Remuneration

B Remuneration Governance

C Details of Remuneration

D Service Agreements

E Share-Based Compensation

F Additional information

G Additional disclosures relating to key management personnel

H Loans to key management personnel

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001.* The remuneration arrangements detailed in this report are for Non-Executive and Executive Directors as follows:

- Chris Catlow — Chairman
- Lee Rodne — Managing Director
- Graeme Rowley — Non-Executive Director
- Peter Turvey — Non-Executive Director
- Michael Bennett — Executive Director

In addition, Julian Chick (COO), and Stephen Mann's (CFO/Company Secretary) remuneration arrangements have been disclosed as they are considered by the Directors to be key management personnel.

REMUNERATION REPORT (continued)

A Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered and set to attract the most qualified and experienced candidates.

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executive officers, in the context of prevailing market conditions.

The Company embodies the following principles in its remuneration framework:

- the Board seeks independent advice on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for Directors; and
- in determining remuneration, advice is sought from external consultants on current market practices for similar roles, the level of responsibility, performance and potential of the Director and performance of the Group.

In accordance with best practice corporate governance, the structure of Non-Executive and Executive remuneration is separate and distinct. Remuneration Committee responsibilities are carried out by Christopher Catlow and Graeme Rowley.

Non-Executive Directors

Fees and payments to the Non-Executive Directors reflect the demands which are made on and the responsibilities of the Directors. The Non-Executive Director's fees and payments are reviewed annually by the Board. The Non-Executive Chairman's fees are determined based on competitive roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The Non-Executive Directors' fees and payments were reviewed by the remuneration committee to ensure they were appropriate and in line with the market. At the 2013 AGM it was agreed by shareholders that Executive and Non-Executive Directors would receive 7,000,000 unlisted options and directors could elect to receive shares as payment for Director's fees. In December 2013, directors were issued 628,710 shares at an issue price of 15.5 cents (based on the 5 day VWAP). The Chairman currently receives a fixed fee for his services as a Director.

The Company's Non-Executive Directors' remuneration package contains the following key elements:

- primary benefits – quarterly director's fees.
- equity – share options under the Admedus Share Option Incentive Plan (as approved by shareholders at the 2012 Annual General Meeting).

The Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $250,000 per annum and was approved by shareholders at the 2002 Annual General Meeting.

No retirement benefits are provided other than compulsory superannuation.

Executive Directors

The Company's Executive Directors' remuneration packages contain the following key elements:

- primary benefits – fees via base service agreements.
- equity – share options under the Admedus Share Option Incentive Plan (as approved by shareholders at the Annual General Meeting on 20 November 2012).

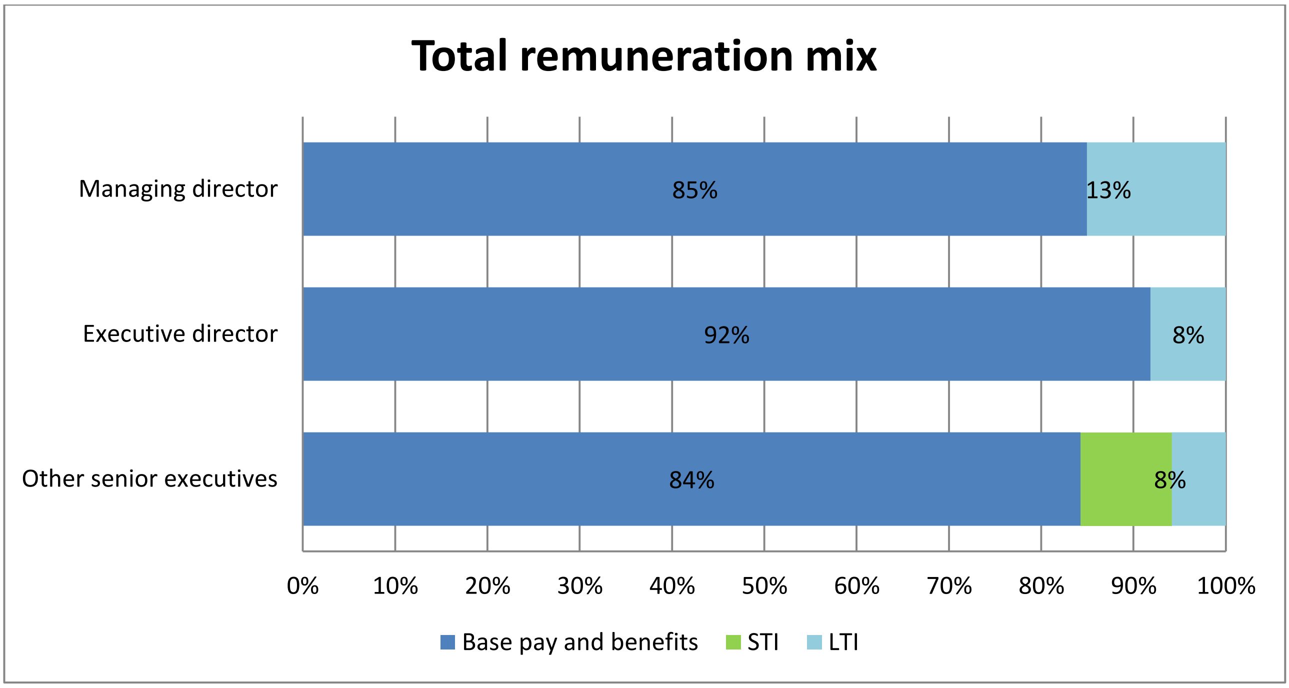
The combination of these components comprises the Executive Directors' total remuneration.

Service agreements are in place for Executive Directors which provide for a fixed base fee per annum. External remuneration information provides benchmark information to ensure the base pay is set to reflect the market for a comparable role. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed base fee increases included in any Executive Director contracts. A parking bay is also provided as an additional benefit to Executive Directors.

There are no performance conditions on options issued to directors and employees.

REMUNERATION REPORT (continued)

Executive remuneration mix
The following chart sets out the executives' target remuneration mix:



CONSOLIDATED ENTITY PERFORMANCE AND LINK TO REMUNERATION

Remuneration for certain individuals is directly linked to performance of the consolidated entity. A portion of bonus and incentive payments are dependent on defined key performance indicators being met. The remaining portion of the bonus and incentive payments are at the discretion of the Remuneration Committee. Refer to section E of the Remuneration Report for details of the last five years earnings and total shareholders return.

The Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

USE OF REMUNERATION CONSULTANTS

The Company's objective is to ensure that remuneration policies are fair and competitive and aligned with the long-term interests of the Company. In doing this, during the year the Remuneration Committee sought advice from Aon Hewitt as an independent remuneration consultant to benchmark executive and non-executive director wages and fees.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2013 ANNUAL GENERAL MEETING

The Company received more than 90% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

B Remuneration Governance

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- the operation of the incentive plans which apply to executive directors and senior executives, including key performance indicators and performance hurdles;
- the remuneration levels of executives; and
- Non-Executive Director fees.

The Corporate Governance Statement provides further information on this committee.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

C Details of Remuneration

Details of the remuneration of the Directors of the Group is set out below:

	Short-term benefits				Post-employment benefits	Share based benefits	Total	Percentage remuneration consisting of shares/options for the year	Performance related
2014	**Directors fees $**	**Consulting fees $**	**Salary $**	**Bonus $**	**Super-annuation $**	**Equity shares/options $**	**$**	**%**	**%**
Non-Executive Director									
C. Catlow	45,000	-	-	-	4,500	16,198	65,698	25	-
G. Rowley	35,000	-	-	-	3,500	8,999	47,499	19	-
P. Turvey	35,000	-	-	-	3,500	8,999	47,499	19	-
Executive Directors									
L. Rodne	-	-	350,910	-	35,091	68,392	454,393	15	-
M. Bennett	-	240,000	-	-	24,000	23,397	287,397	8	-
Total directors compensation (Group)	115,000	240,000	350,910	-	70,591	125,985	902,486		
Key Management Personnel									
S. Mann	-	-	191,500	-	19,150-	11,094	221,744	5	-
J. Chick	-	-	240,000	75,340[4]	31,534-	62,377	409,251	15	23
Total key management personnel compensation (Group)	-	-	431,500	75,340	50,684	73,471	630,995		
TOTAL	**115,000**	**240,000**	**782,410**	**75,340**	**121,275**	**199,456**	**1,533,481**		
2013									
Non-Executive Director									
C. Catlow	45,000	-	-	-	4,500	-	49,500	-	-
G. Rowley	35,000	-	-	-	3,500	-	38,500	-	-
P. Turvey	35,000	-	-	-	3,500	-	38,500	-	-
Executive Directors									
L. Rodne	-	-	260,000	39,000	29,900	-	328,900	-	13
M. Bennett	-	240,000	-	-	24,000	-	264,000	-	-
Total directors compensation (Group)	115,000	240,000	260,000	39,000	65,400	-	719,400		
Key Management Personnel									
S. Mann	-	-	122,274	-	12,213	365	134,852	0	-
J. Chick	-	-	240,000	20,000	24,000	17,459	301,459	16	12
R. Atwill [3]	-	-	339,897	13,500	33,025	21,000	407,422	5	8
Total key management personnel compensation (Group)	-	-	702,171	33,500	69,238	38,824	843,733		
TOTAL	**115,000**	**240,000**	**962,171**	**72,500**	**134,638**	**38,824**	**1,563,133**		

(1) Remuneration in prior year is not linked to the performance of the Company.
(2) There are no termination or retirement benefits for Non-Executive Directors (other than statutory superannuation).
(3) R. Atwill resigned as CEO of Admedus Regen Pty Ltd on 7 June 2013. Salary includes end of service payment.
(4) J Chick achieved all performance milestones to receive bonus. No bonuses were forfeited or carried forward.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

D Service Agreements

On appointment, the Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter outlines the Board's policies and terms, including remuneration relevant to the office of director.

Remuneration and other terms of employment for the Managing Director and Executive Director are formalised in service agreements. The major provisions relating to remuneration are set out below.

Lee Rodne, Managing Director

- Term of agreement – shall continue until terminated;
- Base salary of $350,910 for the year ended 30 June 2014, to be reviewed annually;
- Superannuation of 10% is payable under the agreement; and
- The board may, at its discretion, elect to provide annual bonus up to an amount equal to 100% of the base salary.
- Contract may be terminated early by either party with twelve months' notice, subject to termination payments as outlined below.

Michael Bennett, Executive Director

- Term of agreement – 3 years from 1 April 2012;
- Base fee of $240,000 for the year ended 30 June 2014, to be reviewed annually;
- Superannuation of 10% is payable under the agreement; and
- No performance based benefits payable under the agreement.
- Contract may be terminated early by either party with six months' notice, subject to termination payments as outlined below.

Termination benefits

Post-employment benefits include accrued long service leave, which is due and payable after every seven consecutive years of service. The service agreements provide Executive Directors with three months of base fee in the event of redundancy. No other termination benefits are payable, unless the Company does not provide the required six month notice period of termination, then three months of base fee is payable.

E Share-based Compensation

Options

On 16 December 2013 an executive received 2,000,000 options as a sign-on bonus and 7,000,000 options were issued to directors in accordance with resolution of shareholders at the 2013 AGM.

On 28 March 2014 an executive received 2,000,000 options as a sign-on bonus.

On 21 May 2014 an executive received 3,000,000 options as a sign-on bonus and the Company issue 15,000,000 options to staff under the ESOP.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

333,333 shares have been issued to Directors as a result of the exercise of any Plan options in the current financial year. (2013: nil).

During the period none of the 15,000,000 ESOP options were issued to key management personnel (2013: 5,000,000).

Set out below are summaries of options granted by Admedus Limited to directors and key management personnel:

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Exercised during the year Number	Balance at end of the year Number	Value at grant date
12/8/2011	10/7/2016	0.06	4,500,000	-	-	-	4,500,000	182,700
22/8/2011	10/7/2016	0.06	48,800,000	-	-	-	48,800,000	419,680
18/5/2012	18/5/2017	0.06	3,800,000	-	-	(1,333,333) [(a)]	2,466,667	55,986
18/6/2013	18/6/2018	0.095	5,000,000	-	-	-	5,000,000	57,295
16/12/2013	16/12/2018	0.27	-	7,000,000	-	-	7,000,000	125,985
Total			**62,100,000**	**7,000,000**	**-**	**(1,333,333)**	**67,766,667**	**841,646**

(a) R. Atwill resigned 7 June 2013 exercised his 1,000,000 vested options

Options Directors of Admedus Limited	Balance at the start of the year	Granted as compensation	Cancelled	Exercised during the year	Balance at the end of the year	Unvested	Vested and exercisable
Directors							
C. Catlow	16,000,000	900,000	-	-	16,900,000	6,233,334	10,666,666
L. Rodne	19,200,000	3,800,000	-	-	23,000,000	10,200,000	12,800,000
G Rowley	8,000,000	500,000	-	-	8,500,000	3,166,667	5,333,333
M. Bennett	2,500,000	1,300,000	-	-	3,800,000	2,133,334	1,666,666
P. Turvey	1,000,000	500,000	-	(333,333)	1,166,667	833,334	333,333
S. Mann	3,400,000	-	-	-	3,400,000	1,466,667	1,933,333
J. Chick	9,000,000	-	-	-	9,000,000	4,333,334	4,666,666

Fair Value of Options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2014 was 10.05 cents per option for Tranche A. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2014 included:

Tranche A

(a) options issued under the ESOP are granted for no consideration and vest based on holders still being Directors of Admedus Limited over a three year period. Vested options are exercisable for a period up to expiry date.
(b) *exercise price:* $0.27
(c) *grant date:* 16 December 2013
(d) *expiry date:* 16 December 2018
(e) *share price at grant date:* $0.16
(f) *expected price volatility of the Company's shares:* 90%
(g) *risk-free interest rate:* 3.43%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

F Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2014 $	2013 $	2012 $	2011 $	2010 $
Sales revenue	7,940,622	7,415,188	6,460,516	6,772,776	4,160,904
EBITDA	(8,559,638)	(2,750,544)	(10,082,174)	(1,144,759)	1,201
EBIT	(9,846,302)	(3,023,324)	(10,357,773)	(1,958,526)	(2,712)
Profit/(Loss) after tax	(9,048,843)	(2,418,497)	(10,222,135)	(1,953,648)	(42,649)

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

	2014 $	2013 $	2012 $	2011 $	2010 $
Share price at financial year end ($A)	0.135	0.049	0.018	0.081	0.024
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.622)	(0.208)	(1.507)	(0.990)	(0.968)

G Additional disclosure relating to key management personnel

Shareholding
The number of shares in the Company held during the year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Ordinary shareholders	Balance at the start of the year	Received as part of remuneration	Other changes during year	Balance at the end of the year
2014				
Directors of Admedus Limited				
C. Catlow	14,635,477	-	3,171,934	17,807,411
L. Rodne	24,129,398	-	2,150,000	26,279,398
G Rowley	16,584,292	-	3,474,923	20,059,215
M. Bennett	10,620,000	-	1,874,000	12,494,000
P. Turvey	1,388,664	-	1,053,538	2,442,202
Other key management personnel of the group				
S. Mann	-	-	-	-
J. Chick	4,751,176	18,000	(669,176)	4,100,000

H Loans to key management personnel

No loans have currently been provided to key management personnel,

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (continued)

SHARES UNDER OPTION

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

Date options granted	Expiry date	Issue price of shares	Number under option	Value of option at grant date
22 Oct 2009	22 Oct 2014	10 cents	5,000,000	4.00 cents
12 Aug 2011	10 Jul 2016	6 cents	3,916,667	4.06 cents
22 Aug 2011	10 Jul 2016	6 cents	52,300,000	0.86 cents
18 May 2012	18 May 2017	6 cents	2,466,667	1.47 cents
26 April 2013	1 March 2018	6 cents	2,000,000	1.67 cents
18 June 2013	18 June 2018	9.5 cents	15,300,000	3.33 cents
16 December 2013	16 December 2018	27 cents	9,000,000	10.05 cents
28 March 2014	1 February 2019	24.5 cents	2,000,000	8.97 cents
21 May 2014	1 July 2018	17 cents	3,000,000	6.40 cents
21 May 2014	21 May 2019	17 cents	15,000,000	7.04 cents
Total			**109,983,334**	

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. The options are exercisable at any time after vesting or before the expiry date.

During the period the following options lapsed:
No options lapsed during the financial year (2013: 209,172).

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and any subsidiary against a liability incurred as a Director or Officer to the extent permitted by the Corporations Act 2001. Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties, where the auditors' expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non-audit services provided during the year are set out below.

The board of Directors has considered the position and, in accordance with the advice received for the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2014 **$**	2013 $
Non-audit Services		
Taxation services		
Related practices of BDO:		
Corporate finance services	**12,728**	-
Taxation compliance services	-	7,854

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

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

This report is made in accordance with a resolution of the Directors.

C Catlow

Chris Catlow

Chairman
Perth, Western Australia

Dated 27 August 2014

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF ADMEDUS LTD

As lead auditor of Admedus Ltd for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Admedus Ltd and the entities it controlled during the period.

Brad McVeigh

Director

BDO Audit (WA) Pty Ltd

Perth, 27 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED 2014 $	2013 $
Revenue from continuing operations	6	**7,940,622**	7,415,188
Cost of sales		**(4,842,253)**	(3,758,730)
Gross profit		**3,098,369**	3,656,458
Other revenue	6	**1,921,525**	10,305
Gain on acquisition		**2,684,300**	-
Gain from remeasuring equity investment to fair value		**-**	2,561,518
Administrative expenses		**(635,145)**	(292,638)
Employee benefits	7	**(7,340,049)**	(3,582,045)
Consultancy fees	7	**(1,541,674)**	(1,031,643)
Travel expenses		**(1,963,793)**	(897,428)
Research and development costs	7	**(1,885,205)**	(811,055)
Corporate costs		**(375,563)**	(190,813)
Operations costs		**(1,650,114)**	(651,465)
Marketing expenses		**(355,473)**	(242,555)
Share based payments	31	**(446,674)**	(7,569)
Asset write-downs	7	**(145,482)**	(110,112)
Depreciation expense	7	**(227,583)**	(31,401)
Amortisation expense	7	**(1,235,444)**	(241,379)
Loss from equity accounting		**-**	(1,161,502)
Loss before income tax from continuing operations		**(10,098,005)**	(3,023,324)
Income tax benefit	8	**1,890,290**	604,827
Loss after income tax for the year		**(8,207,715)**	(2,418,497)
Total loss is attributable to:			
Equity holders of Admedus Limited		**(6,616,498)**	(1,892,406)
Non-controlling interest	22	**(1,591,217)**	(526,091)
		(8,207,715)	(2,418,497)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		**Cents**	Cents
Basic loss per share	25	**(0.552)**	(0.208)
Diluted loss per share		**n/a**	n/a

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

		CONSOLIDATED	
	Note	**2014** **$**	2013 $
Loss for the year		**(8,207,715)**	(2,418,497)
Other comprehensive income			-
Total comprehensive loss		**(8,207,715)**	(2,418,497)
Total comprehensive loss is attributable to:			
Equity holders of Admedus Limited		**(6,616,498)**	(1,892,406)
Non-controlling interest	22	**(1,591,217)**	(526,091)
		(8,207,715)	(2,418,497)

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	CONSOLIDATED 2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	26	**19,582,972**	2,445,423
Trade and other receivables	9	**1,639,917**	1,530,997
Inventories	10	**2,952,245**	1,917,507
Total Current Assets		**24,175,134**	5,893,927
Non-Current Assets			
Property, plant & equipment	11	**3,297,854**	121,651
Intangibles	12	**9,947,161**	11,078,956
Deferred tax asset	13	**2,341,224**	865,271
Total Non-Current Assets		**15,586,239**	12,065,878
TOTAL ASSETS		**39,761,373**	17,959,805
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**1,448,622**	661,503
Provisions	15	**410,381**	189,474
Income tax payable	16	**7,338**	30,138
Total Current Liabilities		**1,866,341**	881,115
Non-Current Liabilities			
Trade and other payables	17	-	466,859
Provisions	18	**728,157**	140,748
Total Non-Current Liabilities		**728,157**	607,607
TOTAL LIABILITIES		**2,594,498**	1,488,722
NET ASSETS		**37,166,875**	16,471,083
EQUITY			
Contributed equity	20	**53,492,224**	25,035,391
Reserves	21	**1,070,509**	845,442
Accumulated losses		**(19,249,631)**	(12,633,133)
Capital and reserves attributable to equity holders of Admedus		**35,313,102**	13,247,700
Non-controlling interest	22	**1,853,773**	3,223,383
TOTAL EQUITY		**37,166,875**	16,471,083

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital $	Share-based payments reserve $	Other Reserves $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2012	**20,331,475**	**837,873**	**-**	**(10,740,727)**	**10,428,621**	**4,826**	**10,433,447**
Loss for the year	-	-	-	(1,892,406)	(1,892,406)	(526,091)	(2,418,497)
Total comprehensive loss	-	-	-	(1,892,406)	(1,892,406)	(526,091)	(2,418,497)
Transactions with non-controlling interest	-	-	-	-	-	452,381	452,381
Non-controlling interest on acquisition of subsidiary – Admedus Vaccines Pty Ltd	-	-	-	-	-	3,292,267	3,292,267
Transactions with owners in their capacity as owners							
Shares issued during the period	4,715,959	-	-	-	4,715,959	-	4,715,959
Options issued during the period	-	7,569	-	-	7,569	-	7,569
Capital raising costs	(199,589)	-	-	-	(199,589)	-	(199,589)
Recognise tax effect on capital raising costs	187,545	-	-	-	187,545	-	187,545
Exercise of options	1	-	-	-	1	-	1
Balance at 30 June 2013	**25,035,391**	**845,442**	**-**	**(12,633,133)**	**13,247,700**	**3,223,383**	**16,471,083**
Loss for the year	-	-	-	(6,616,498)	(6,616,498)	(1,591,217)	(8,207,715)
Total comprehensive loss	-	-		(6,616,498)	(6,616,498)	(1,591,217)	(8,207,715)
Transactions with non-controlling interest	-	-	(221,607)	-	(221,607)	221,607	-
Transactions with owners in their capacity as owners							
Shares issued during the period	28,840,201	-	-	-	28,840,201	-	28,840,201
Options issued during the period	-	446,674	-	-	446,674	-	446,674
Capital raising costs	(1,514,209)	-	-	-	(1,514,209)	-	(1,514,209)
Recognise tax effect on capital raising costs	288,391	-	-	-	288,391	-	288,391
Shares issued as executive bonus	18,000	-	-	-	18,000	-	18,000
Shares issued in lieu of directors fees	97,450	-	-	-	97,450	-	97,450
Exercise of options	727,000	-	-	-	727,000	-	727,000
Balance at 30 June 2014	**53,492,224**	**1,292,116**	**(221,607)**	**(19,249,631)**	**35,313,102**	**1,853,774**	**37,166,875**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**7,829,769**	7,353,628
Payment to suppliers		**(21,097,165)**	(11,340,363)
Income taxes paid		**(22,601)**	(6,622)
R&D tax refund		**702,529**	294,762
Grant Income		**1,920,052**	
Interest paid		**(17,462)**	(10,865)
Interest received		**40,527**	12,200
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26	**(10,644,351)**	(3,697,260)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition of subsidiaries	5	**97,093**	322,603
Payments for property, plant & equipment		**(264,536)**	(19,524)
Payments for intangible assets		**(103,649)**	(73,412)
Payments for equity accounted investment		**-**	(1,000,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(271,092)**	(770,333)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		**29,567,201**	4,596,172
Share issue transaction costs		**(1,514,209)**	(199,589)
Purchase of equity in controlled entity by non-controlling interest		**-**	452,381
NET CASH INFLOW FROM FINANCING ACTIVITIES		**28,052,992**	4,848,964
NET INCREASE IN CASH HELD		**17,137,549**	381,371
CASH AT BEGINNING OF THE YEAR		**2,445,423**	2,064,052
CASH AT END OF THE YEAR	26	**19,582,972**	2,445,423

The above Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Admedus Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Admedus Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly inequity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it de-recognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Reverse Acquisition

In accordance with AASB 3 “Business Combinations”, when Admedus Limited (the legal parent) acquired Admedus Investments Pty Limited group (being Admedus Investments Pty Limited and its controlled entities Admedus (Australia) Pty Limited and Admedus (NZ) Limited) (the legal subsidiary), the acquisition was deemed to be a reverse acquisition since the substance of the transaction is that the existing shareholders of Admedus Investments Pty Limited have effectively acquired Admedus Limited. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Admedus Investments Pty Limited had acquired Admedus Limited and its controlled entity, not vice versa represented by the legal position.

- In reverse acquisition accounting, the cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes). However, due to the fact that the fair value of the equity instruments of the legal subsidiary (Admedus Investments Pty Limited) was not clearly evident at the date which the control was passed, the alternative method was elected (per AASB 3, para B6), where the cost of the business combination was determined as the total fair value of all the issued equity instruments of the legal parent (Admedus Limited) immediately prior to the business combination.
- In the separate financial statements of the legal parent (Admedus Limited), the investment in legal subsidiary (Admedus Investments Pty Limited) was accounted for at cost.

As a consequence:

- An exercise is performed to fair value the assets and liabilities of the legal acquirer, Admedus Limited;
- The cost of the investment held by the legal parent (Admedus Limited) in the legal subsidiary (Admedus Investments Pty Limited) is reversed on consolidation and the cost of reverse acquisition is eliminated on consolidation against the consolidated equity and reserves of Admedus Investments Pty Limited and its consolidated entities at date when control is passed. The effect of this is to restate the consolidated equity and reserves balances to reflect those of Admedus Investments Pty Limited at the date of acquisition;
- The amount recognised as issued equity instruments are determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination; and
- The consolidated financial statements are issued under the name of the legal parent (Admedus Limited) but are a continuation of the financial statements of the deemed acquirer (Admedus Investments Pty Limited) under the reverse acquisition rules.

Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 23).

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity re-measures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Admedus Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government Grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Admedus Limited (the 'head entity') and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary separately account for their own current and deferred tax amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co- ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Finished goods

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-14 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised, up to the stage of commercialization, when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Retirement benefit obligations
All employees of the consolidated entity are entitled to benefits from the consolidated entity's superannuation plan on retirement, disability or death. The consolidated entity has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from entities in the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised, in the period in which they occur, in other comprehensive income.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Admedus Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the consolidated entity.

AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 136 *Impairment of Assets* to establish reduced disclosure requirements for Tier 2 entities arising from AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and makes amendments to AASB 1038 *Life Insurance Contracts* that arise from AASB 10 *Consolidated Financial Statements* in relation to consolidation and interests of policyholders.
Removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
Amendments to AASB 9 to:

(i) replace the general hedge accounting requirements to more closely align hedge accounting with risk management activities undertaken when hedging financial and non-financial risks;
(ii) permit fair value changes due to changes in 'own credit risk' of financial liabilities measured at fair value to be recognised through other comprehensive income, without applying all other requirements of AASB 9 at the same time; and
(iii) defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2017. This application date is subject to review and is expected to be revised by the IASB.

The Group is continuing to assess the full impact of adopting AASB 9.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgments made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. CRITICAL ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

2. CRITICAL ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS (continued)

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

3. RESTATEMENT OF COMPARATIVES

In the 30 June 2013 Annual Report the directors were yet to determine the fair value of Admedus Vaccines' assets and liabilities in relation to the business combination, therefore provisional accounting had been applied. The final fair values have now been determined and below balances have been restated to reflect.

Statement of financial position at the end of the earliest comparative period

Extract	**2013 Reported $**	**Adjustment $**	**2013 Restated $**
Assets			
Non-current assets			
Intangibles	9,682,947	1,396,009	**11,078,956**
Total non-current assets	10,669,869	1,396,009	**12,065,878**
Total Assets	16,563,796	1,396,009	**17,959,805**
Equity			
Non-controlling interest	1,827,374	1,396,009	**3,223,383**
Total Equity	15,075,074	1,396,009	**16,471,083**
Notes			
Non-current assets – intangibles			
Technology Licence	3,500,141	2,799,859	**6,300,000**
Goodwill	2,993,143	(1,403,850)	**1,589,293**
	9,682,947	1,396,009	**11,078,956**

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks (including interest rate risk, credit risk and liquidity risk). The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments, however, the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, aging analysis for credit risk and at present are not exposed to price risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Company.

The Group and the Company hold the following financial instruments:

	CONSOLIDATED	
	2014 $	2013 $
Financial assets		
Cash and cash equivalents	**19,582,972**	2,445,423
Trade and other receivables	**1,639,917**	1,530,997
	21,222,889	3,976,420
Financial liabilities		
Trade and other payables	**1,448,622**	1,128,362
	1,448,622	1,128,362
Net financial assets	**19,774,267**	2,848,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT (continued)

The Group's principal financial instruments comprise cash and short-term deposits. The Group does not have any borrowings in the current year.

The main purpose of the financial instruments is to fund the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group are cash flow (interest rate risk, liquidity risk and credit risk). The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Market Risk

Cash flow and interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk. The Company does not consider this to be material to the Group and has therefore not undertaken any further analysis of risk exposure.

The following sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

	Note	Weighted average interest rate	Total $
30 June 2014 Consolidated			
Financial assets			
Cash and cash equivalents	26	0.3%	19,582,972
30 June 2013 Consolidated			
Financial assets			
Cash and cash equivalents	26	0.3%	2,445,423
Financial liabilities			
			-
Total			2,445,423

Sensitivity
At 30 June 2014, if interest rates had increased by 0.15% or decreased by 0.2% from the year end rates with all other variables held constant, post-tax loss for the year would have been $29,374 lower/$39,166 higher (2013 changes of 0.15%/0.2%: $3,668 lower/ $4,891 higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT (continued)

For some receivables in Note 9 the group obtained deposits to cover the cost of defaults by customers. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	CONSOLIDATED	
	2014	2013
	$	$
Cash at bank and short-term bank deposits	**19,582,972**	2,445,423
AA		

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Group's exposure to the risk of changes in market interest rates relates primarily to cash assets and floating interest rates. The Group does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The Directors monitor the cash-burn rate of the Group on an ongoing basis against budget. As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$	$	$	$	$	$	$
Group – At 30 June 2014							
Non-derivatives							
Trade and other payables	**1,448,622**	-	-	-	-	**1,448,622**	**1,448,622**
Non-interest bearing	-	-	-	-	-	-	-
Total non-derivatives	**1,448,622**	-	-	-	-	**1,448,622**	**1,448,622**
Group – At 30 June 2013							
Non-derivatives							
Trade and other payables	661,503	-	466,859	-	-	1,128,362	1,128,362
Non-interest bearing	-	-	-	-	-	-	-
Total non-derivatives	661,503	-	466,859	-	-	1,128,362	1,128,362

(d) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

The consolidated entity's principal financial instruments consist of cash and deposits with banks, accounts receivable, trade payables and loans payable. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

FOR THE YEAR ENDED 30 JUNE 2014

5. BUSINESS COMBINATIONS

Admedus Vaccines Pty Limited acquisition

On 30 June 2013 Admedus Investments Pty Ltd, a subsidiary of Admedus Ltd, acquired additional 4,562,191 shares in Admedus Vaccines Pty Ltd via a convertible note to take a controlling interest of 50.1%. This is a medical research and development business and operates in the DNA Vaccine division of the consolidated entity.

The acquisition is part of the Group's overall strategy to expand into new medical technologies.

The values identified in relation to the acquisition of Admedus Vaccines Pty Ltd are final as at 30 June 2014.

	Acquiree's Carrying Amount	Value in 30 June 2013 Annual Report using Provisional Accounting	Fair Value
	$	$	$
Purchase consideration:			
— equity issued (44,303,307 shares at $0.1106 per share)		4,900,049	**4,900,049**
— cash at bank		(322,603)	**(322,603)**
		4,577,446	**4,577,446**
Less:			
Property, plant and equipment	1,433	1,433	**1,433**
Intangibles (i)	3,500,141	3,500,141	**6,300,000**
Payables	(21,013)	(21,013)	**(21,013)**
Identifiable assets acquired and liabilities assumed	3,480,561	3,480,561	**6,280,420**
	Note		
Non-controlling interest (49.9%)	22	1,896,258	**3,292,267**
Goodwill (ii)	12	2,993,143	**1,589,293**

i. Admedus Vaccines Pty Ltd paid a Technology Licence fee of $13,150,000 to Uniquest Pty Ltd for an exclusive world-wide right to commercialise the intellectual property owned by the University of Queensland. The technology licence has been amortised consistent with the life of patents over intellectual property. Griffith Hack completed an independent valuation of intellectual property held at 30 June 2013, which gave a fair value of $6,300,000.

ii. The Goodwill was attributable to Admedus Vaccines' strong research position with DNA vaccines. Admedus Vaccines have now completed a Phase I study of the HSV-2 vaccine for and is planning to begin a Phase II trial before the end of the financial year, which is aimed at both preventing the spread of the virus and offering a treatment to those infected. Admedus Vaccines is also developing a next-generation therapeutic vaccine for Human Papillomavirus (HPV) and associated cancers. An assessment of the carrying value of the Goodwill was undertaken as at 30 June 2014 and no impairment charge was required to be recognised.

Loss and revenue resulting from the acquisition of Admedus Vaccines Pty Limited amounting to $Nil and $Nil respectively are included in the consolidated statement of profit and loss for the year ended 30 June 2013.

Acquisition-date fair value of the equity of Admedus Vaccines (39,741,116 shares at $0.1106 per share)	$4,395,460
Gain from remeasuring equity investment to fair value	$2,561,518

FOR THE YEAR ENDED 30 JUNE 2014

5. BUSINESS COMBINATIONS (continued)

Verigen Australia Pty Ltd acquisition

On 31 December 2013 Admedus Ltd, acquired 100% of shares on issue in Admedus Biomanufacturing Pty Ltd (formerly Verigen Australia Pty Ltd). This is a bio-implant manufacturing business and operates in the manufacturing division of the consolidated entity.

The acquisition is part of the Group's overall strategy to commercialise new medical technologies in-house.

The values identified in relation to the acquisition of Admedus Biomanufacturing Pty Ltd are final as at 30 June 2014.

	Acquiree's Carrying Amount	Fair Value
	$	$
Purchase consideration:		
— equity issued (23,827 shares at $0.000042 per share)		1
— cash at bank		(97,094)
		(97,093)
Less:		
Trade and other receivables	26,203	26,203
Inventory	30,150	30,150
Property, plant and equipment (i)	-	3,139,250
Trade and other payable	(80,396)	(80,396)
Provisions (ii)	(73,000)	(528,000)
Identifiable assets acquired and liabilities assumed	(97,043)	2,587,207
Gain on acquisition		**2,684,300**

i. Prior management had impaired the value of property, plant and equipment in line with their initial strategy of closing the facility. As the facility will now be used to manufacture CardioCel®, Admedus directors believe that the property, plant and equipment has a greater value, therefore an independent valuation has been completed by Griffin Valuation Advisory.

ii. Under the lease agreement there is a requirement for Admedus Biomanufacturing to restore the facility to original condition at the end of lease. A provision of $455,000 has been created for the cost of removing lease hold improvements including laboratories and clean rooms based on valuation by Griffin Valuation Advisory.

Loss and revenue resulting from the acquisition of Admedus Biomanufacturing Pty Ltd amounting to $Nil and $984,287 respectively are included in the consolidated statement of profit or loss for the half year ended 30 June 2014.

FOR THE YEAR ENDED 30 JUNE 2014

6. REVENUES

	CONSOLIDATED 2014 $	2013 $
Revenue from continuing operations	**7,900,095**	7,402,988
Interest revenue	**40,527**	12,200
Total revenue from continuing operations	**7,940,622**	7,415,188
Breakdown of Other revenue		
Grant income	**1,920,052**	-
Sundry income	**1,473**	10,305
Total other revenue	**1,921,525**	10,305

7. EXPENSES

	Note	CONSOLIDATED 2014 $	2013 $
Loss before income tax includes the following specific expenses:			
Consultancy costs		**1,541,674**	1,031,643
Depreciation	11	**227,583**	31,401
Amortisation	12	**1,235,444**	241,379
Research and development costs		**1,885,205**	811,055
Asset write-downs:			
Write-down of inventory	10 (a)	**141,410**	88,477
Bad debt expense		**4,072**	21,635
Total Asset write-down		**145,482**	110,112
Employee benefits expense			
Wages and salaries		**6,898,564**	3,416,948
Leave provisions		**441,485**	165,097
		7,340,049	3,582,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

8. INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED **2014** **$**	CONSOLIDATED 2013 $
(a) Income tax expense/(benefit)		
Current tax	**-**	20,923
Adjustment for prior period – current tax	**(702,529)**	(104,482)
Deferred tax	**(1,194,706)**	(521,268)
Adjustment for prior period – deferred tax	**6,945**	-
	(1,890,290)	(604,827)
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	**1,476,153**	(521,628)
(Decrease)/Increase in deferred tax liabilities	**-**	-
	1,476,153	(521,628)
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	**(10,098,004)**	(3,023,324)
Tax at the Australian tax rate of 30% (2013: 30%)	**(3,029,401)**	(906,997)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share based payments	**168,637**	38,207
Sundry non- deductible items	**562,167**	423,447
Sundry non-assessable items	**-**	(768,705)
Non-taxable items on acquisition of subsidiary	**(987,765)**	-
Recognition of DTA on property, plant and equipment acquired	**(1,077,237)**	-
Recognition of tax losses not previously recognised	**-**	(751,311)
Difference in tax rate of foreign jurisdictions	**1,742**	(1,495)
Under/(over) provision in prior years for research and development	**(702,529)**	-
Other	**(103,155)**	(15,713)
	(5,167,511)	(1,982,567)
Under/(over) provision in prior years	**6,945**	(104,482)
Income tax benefit not recognised	**3,270,276**	1,482,222
Income tax expense/(benefit)	**(1,890,290)**	(604,827)
(c) Tax losses		
Unused tax losses for which no deferred tax assets have been recognised		
Australian losses	**22,565,635**	15,315,296
Foreign losses	**1,869,365**	-
Potential tax benefit at 30%	**7,330,500**	4,594,589

All unused tax losses were incurred by Australian entities. Unused tax losses for which no deferred tax asset has been recognised have not been recognised as the future recovery of those losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities.

FOR THE YEAR ENDED 30 JUNE 2014

8. INCOME TAX EXPENSE/(BENEFIT) (continued)

	CONSOLIDATED	
	2014	2013
	$	$
(d) Unrecognised temporary differences		
Deferred tax assets and liabilities not recognised relate to the following:		
Deferred tax assets		
Provisions	**344,306**	99,066
Accruals	**67,277**	92,653
Capital raising through equity	**412,895**	124,702
Capital raising through equity	**977,159**	
Tax losses:		
Australian losses	**515,199**	548,848
Foreign losses	**24,388**	-
Deferred tax liabilities		
Other temporary differences	**-**	-
Net deferred tax assets	**2,341,224**	865,271

(e) Tax consolidation legislation

Admedus and its Australian controlled entity have not implemented the tax consolidation legislation.

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2014	2013
	$	$
Current		
Trade receivables	**1,139,572**	1,071,845
	1,139,572	1,071,845
Other receivables and prepayments	**500,345**	459,152
	1,639,917	1,530,997

Other receivables arise from deferment of cost of sales in relation to capital equipment sold to Mater Misericordiae Hospital in Townsville. Cost of sales will be spread across five years in line with agreed consumable purchases under tender. Balance also includes prepayments and security deposits for rental of corporate offices similar costs were included in June 2013.

Refer to Note 4 for information on the risk management policy of the Group.

(a) Past due but not impaired

As at 30 June 2014, trade receivables of $46,226 (2013: $147,937) were past due but not impaired. These relate to customers for whom there is no recent history of default. All debt is recognised as outstanding with a significant portion paying post year end or on payment instalment plan. The ageing analysis of these trade receivables is as follows:

	2014	2013
	$	$
Over 90 days	**46,226**	147,937

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the history of these other classes, it is expected that these amounts will be received.

FOR THE YEAR ENDED 30 JUNE 2014

10. INVENTORIES

	CONSOLIDATED 2014 $	2013 $
Finished goods – at cost	**2,952,245**	1,917,507

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to $141,410 (2013: $88,477).

11. PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED 2014 $	2013 $
Plant & equipment		
Cost	**3,759,555**	355,769
Accumulated depreciation	**(461,701)**	(234,118)
Net book amount	**3,297,854**	121,651
Reconciliation		
Opening net book amount	**121,651**	132,094
Additions	**3,403,786**	20,958
Disposals		-
Asset write-down		-
Depreciation charge	**(227,583)**	(31,401)
Closing net book amount	**3,297,854**	121,651

No non-current assets are pledged as security by the Group.

12. INTANGIBLE ASSETS

	CONSOLIDATED 2014 $	2013 $
Patents	**276,070**	172,421
Intellectual property	**2,775,863**	3,017,242
Technology Licence	**5,305,935**	6,300,000
Goodwill (Note 5)	**1,589,293**	1,589,293
	9,947,161	11,078,956
Reconciliation - Patents		
Opening net book value	**172,421**	99,009
Additions - acquisitions	**103,649**	73,412
Impairment charge		-
Closing net book value	**276,070**	172,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

12. INTANGIBLE ASSETS (continued)

	CONSOLIDATED 2014 $	2013 $
Reconciliation – Intellectual property		
Opening net book value	**3,017,242**	3,258,621
Accumulated amortisation	**(241,379)**	(241,379)
Closing net book value	**2,775,863**	3,017,242
Reconciliation – Technology Licence		
Opening net book value	**6,300,000**	-
Additions – acquisitions (Admedus Vaccines Pty Ltd)	**-**	6,300,000
Accumulated amortisation	**(994,065)**	-
Closing net book value	**5,305,935**	6,300,000
Reconciliation – Goodwill		
Opening net book value	**1,589,293**	-
Additions –Admedus Vaccines	**-**	1,589,293
Impairment charge	**-**	-
Closing net book value	**1,589,293**	1,589,293

The fair value of technology licence and goodwill from Admedus Vaccines transaction were calculated on 30 June 2013. An impairment test was completed at 30 June 2014 and no impairment was calculated.

13. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The composition and movement of deferred assets is as follows:

	Balance 1 July 12 $	Recognised in profit or loss $	Balance 30 June 13 $	Recognised in profit or loss $	Balance 30 June 14 $
Provisions	**99,754**	(688)	**99,066**	245,240	**344,306**
Accruals	**11,348**	12,902	**24,250**	(13,750)	**10,500**
Investment in associate	**285,542**	(285,542)	**-**	-	**-**
Share issue costs through equity	**-**	124,502	**124,702**	288,194	**412,896**
Property, plant and equipment	**-**	-	**-**	977,159	**977,159**
Other	**140,094**	(71,689)	**68,405**	(11,629)	**56,776**
Tax assets	**536,738**	(220,515)	**316,423**	1,485,214	**1,801,637**
Set off of tax	**(192,934)**	741,782	**558,848**	(9,261)	**539,587**
Tax assets	**343,804**	521,267	**865,271**	1,475,953	**2,341,224**

13. NON-CURRENT ASSETS – DEFERRED TAX ASSETS (continued)

Deferred tax assets are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2014	2013	**2014**	**2013**	**2014**	2013
	$	$	**$**	**$**	**$**	$
Provisions	**344,306**	99,066	**-**	-	**344,306**	99,066
Accruals	**10,500**	24,250	**-**	-	**10,500**	24,250
Investment in associate	**-**	-	**-**	-	**-**	-
Share issue costs through equity	**412,896**	124,502	**-**	-	**412,896**	124,502
Property, plant and equipment	**977,159**				**977,159**	
Other	**56,776**	68,405	**-**	-	**56,776**	68,405
Set off of tax	**539,587**	548,848	**-**	-	**539,587**	548,848
Tax assets	**2,341,224**	865,071	**-**	-	**2,341,224**	865,071

Tax Losses
At 30 June 2014, Admedus had carried forward tax losses of $24,425,000 (2013: $15,315,296) that have not been recognised.

14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014	2013
	$	$
Trade payables	**866,482**	516,107
Other payables and accruals	**582,140**	145,396
	1,448,622	661,503

Refer to Note 4 for information on the risk management policy of the Group.

Admedus (Australia) Pty Ltd, a subsidiary of Admedus Ltd holds a standby letter of credit of CHF 403,734 payable to Arcomed AG. The standby letter of credit expires on 30/6/2015.

15. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2014	2013
	$	$
Employee benefits (a)	**410,381**	189,474

(a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16. CURRENT LIABILITIES – INCOME TAX

	CONSOLIDATED	
	2014 **$**	2013 $
Provision for income tax	**7,338**	30,138

17. NON CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014 **$**	2013 $
Trade payables	**-**	466,859
	-	466,859

Refer to Note 4 for information on the risk management policy of the Group.

Admedus (Australia) Pty Ltd, a subsidiary of Admedus Ltd holds a standby letter of credit of CHF 403,734 payable to Arcomed AG. The standby letter of credit expires on 30/6/2015, now considered current.

18. NON CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2014 **$**	2013 $
Long service leave provision	**273,157**	140,748
Restoration provision	**455,000**	-
	728,157	140,748

The restoration provision relates to the removing of lease hold improvements including laboratories and clean rooms in accordance with lease agreement. Provision based on valuation by Griffin Valuation Advisory.

FOR THE YEAR ENDED 30 JUNE 2014

19. CONSOLIDATED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described at Note 1.

Name of entity	Class of share	Country of Incorporation	Equity Holding 2014 %	Equity Holding 2013 %	Cost to Company 2014 $	Cost to Company 2013 $
Accounting Parent Entity						
Admedus Investments Pty Limited		Australia	**100**	100	**29,551,042**	29,551,042
Legal Parent Entity						
Admedus Limited	Ordinary	Australia	**-**	-	**-**	-
Controlled Entities						
Admedus (NZ) Limited	Ordinary	New Zealand	**100**	100	**1**	1
Admedus (Australia) Pty Limited	Ordinary	Australia	**100**	100	**847,423**	847,423
Admedus Regen Pty Limited	Ordinary	Australia	**79.1**	79.1	**3,029,556**	3,029,556
Admedus Corporation	Ordinary	USA	**100**	100	**104**	104
Admedus Vaccines Pty Limited	Ordinary	Australia	**57.2**	50.1	**6,500,049**	4,900,049
Admedus GmbH	Ordinary	Switzerland	**100**	-	**23,151**	-
Admedus Biomanufacturing Pty Ltd	Ordinary	Australia	**100**	-	**1**	-
Admedus (Singapore) Pty Ltd	Ordinary	Singapore	**100**	-	**1**	-
					39,951,328	38,328,175

The proportion of ownership interest is equal to the proportion of voting power held. For acquisitions refer to Note 5.

20. CONTRIBUTED EQUITY

	SHARES 2014	SHARES 2013	$ 2014	$ 2013
(a) Share Capital				
Ordinary shares				
Fully paid	**1,441,087,921**	1,035,171,181	**53,492,224**	25,035,391

20. CONTRIBUTED EQUITY (continued)

	Date	Notes	No. shares	Issue Price	$
(b) Movements in Ordinary Share Capital					
Details					
Balance	**30/6/12**		**799,568,843**		**20,331,475**
Executive bonuses portion paid in shares		(d)	2,176,470	0.017	37,000
Directors fees portion paid in shares		(e)	3,617,355	0.0229	82,789
Share placement		(f)	85,048,500	0.02	1,700,970
Conversion of options		(g)	13	0.10	1
Share purchase plan		(h)	144,760,000	0.02	2,895,200
Recognise tax effect on capital raising costs			-		187,545
Transaction costs			-		(199,589)
Balance	**30/6/13**		**1,035,171,181**		**25,035,391**
Executive bonuses portion paid in shares		(i)	367,347	0.049	18,000
Directors fees portion paid in shares		(j)	628,710	0.155	97,450
Rights issue		(k)	208,804,017	0.05	10,440,201
Share placement		(l)	83,000,000	0.10	8,300,000
Conversion of options		(m)	12,116,666	0.06	727,000
Share purchase plan		(n)	101,000,000	0.10	10,100,000
Recognise tax effect on capital raising costs			-		288,391
Transaction costs			-		(1,514,209)
Balance	**30/6/14**		**1,441,087,921**		**53,492,224**

(c) Ordinary Shares

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

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

(d) Executive bonuses portion paid in shares

In July 2012, executives received bonuses for achieving KPIs. Executives elected to receive a portion of bonus as shares at an issue price of 1.7 cents (based on the 5 day VWAP).

(e) Directors fees portion paid in shares

At the 2012 AGM it was agreed by shareholders that directors could elect to receive shares as payment for Director's fees. In December 2012, directors were issued 3,617,355 shares at an issue price of 2.29 cents (based on the 5 day VWAP).

(f) Share placement

In December 2012, current shareholders and sophisticated investors were approached to make further investment in the Group at a $0.02 per share.

(g) Shares under option

Between 1 July and 30 June 2013, 13 unlisted options were exercised at 10 cents each. Information in relation to the current options issued, exercised or lapsed during the financial year is set out Note 20 (a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

20. CONTRIBUTED EQUITY (continued)

(h) Share purchase plan

In January 2013, current shareholders were approached to make further investment in the Group at a $0.02 per share.

(i) Executive bonuses portion paid in shares

In July 2013, executives received bonuses for achieving KPIs. Executives elected to receive a portion of bonus as shares at an issue price of 4.9 cents (based on the 5 day VWAP).

(j) Directors fees portion paid in shares

At the 2013 AGM it was agreed by shareholders that directors could elect to receive shares as payment for Director's fees. In December 2013, directors were issued 628,710 shares at an issue price of 15.5 cents (based on the 5 day VWAP).

(k) Share Rights Issue

A non-renounceable rights issue of shares was undertaken at an issue price of 5 cents per share.

(l) Share placement

In May 2014, current shareholders and sophisticated investors were approached to make further investment in the Group at a $0.10 per share.

(m) Shares under option

Between 1 July and 30 June 2014, 12,116,666 unlisted options were exercised at 6 cents each. Information in relation to the current options issued, exercised or lapsed during the financial year is set out Note 20 (a).

(n) Share purchase plan

In June 2014, current shareholders were approached to make further investment in the Group at a $0.10 per share.

(o) Capital Risk Management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders and to maintain capital structure to reduce the cost of capital.

The Board of Directors monitors capital on an ad-hoc basis. No formal targets are in place for return on capital or gearing ratios as the Group has not derived any income from the developing technology and currently has no debt facilities in place.
The Group defines capital as equity and net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

21. EQUITY - RESERVES

	CONSOLIDATED	
	2014 **$**	2013 $
(a) Reserves		
Share based payments	**1,292,116**	845,442
Other reserve	**(221,607)**	-
	1,070,508	845,442

Reconciliation - Share based payment	**Date**	**No. options**	**Valuation**	**$**
Opening balance	**30/6/12**	**78,009,172**		837,873
Unlisted options cancelled		(2,209,172)	-	-
Unlisted options issued		2,000,000	0.017	1,988
Unlisted options issued		15,300,000	0.033	5,581
Balance	**30/6/13**	93,100,000		845,442
Unlisted options exercised		(12,116,666)	0.06	
Unlisted options issued		9,000,000	0.27	125,985
Unlisted options issued		2,000,000	0.245	16,386
Unlisted options issued		18,000,000	0.17	103,534
Share based payment				200,769
Balance	**30/6/14**	109,983,334		1,292,116

Reconciliation – Other reserve	**2014** **$**	2013 $
Opening balances	**-**	-
Gain in NCI	**(221,067)**	-
Closing balance	**(221,067)**	-

(b) Share-based payments

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

22. NON-CONTROLLING INTEREST

	CONSOLIDATED	
	2014 **$**	2013 $
Interest in:		
Share Capital	**906,575**	684,968
Accumulated losses	**(2,345,069)**	(753,852)
Non-controlling interest – Admedus Vaccines Pty Ltd	**3,292,267**	3,292,267
	1,853,773	3,223,383

During the period, the non-controlling interest in Admedus Regen Pty Ltd resulted in an adjustment of $1,591,217 to accumulated losses and $221,607 to share capital due to right issue during the year (2013: $526,091 accumulated losses and $452,381 share capital).

23. INVESTMENTS IN ASSOCIATES

	CONSOLIDATED	
	2014 **$**	2013 $
(a) Movements in carrying amounts:		
Carrying amount at the beginning of the financial year	-	2,500,033
Investment during year	-	1,000,000
Gain from remeasuring equity investment to fair value	-	2,561,518
Impairment charge	-	-
Share of loss after income tax	-	(1,161,502)
Transfer to controlled entities and elimination on consolidation (Note 3)	-	(4,900,049)
Carrying amount at the end of the financial year	-	-

24. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	CONSOLIDATED	
	2014 **$**	2013 $
(a) Audit Services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**72,672**	74,432
(b) Non-audit Services		
Taxation services		
Related entities to BDO Audit (WA) Pty Ltd	-	7,854

Corporate Finance services		
Related entities to BDO Audit (WA) Pty Ltd	**12,728**	**-**

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important.

FOR THE YEAR ENDED 30 JUNE 2014

25. EARNINGS PER SHARE

	CONSOLIDATED	
	2014 Number	2013 Number
(a) Weighted Average Number of Shares Used as the Denominator		
Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share	**1,198,162,803**	908,462,048
Adjustment for calculation of diluted earnings per share: Options	**-**	-
Weighted average number of ordinary shares used in the denominator in calculating diluted earnings per share	**n/a**	n/a
	Cents	Cents
(b) Loss Used in Calculating Earnings/(Loss) Per Share	**(6,616,498)**	(1,892,406)
Basic earnings/(loss) per share	**(0.552)**	(0.208)
Diluted earnings/(loss) per share	**n/a**	n/a

(c) Information concerning classification of securities

Options:
No listed or unlisted options of Admedus Limited have been included in the determination of basic earnings/(loss) per share because all options on issue have an exercise price above the market share price of the Company as at year end.

Details relating to options granted under the Admedus Employee Share Option Plan (ESOP) are outlined in Note 31 (a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

26. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2014	2013
	$	$
(a) Reconciliation to Cash at the End of the Year		
Cash at bank and in hand	**19,582,972**	2,445,423
Total cash at the end of the year	**19,582,972**	2,445,423

(b) Cash at Bank and On Hand

These are interest bearing accounts held at bank with average interest rates of 0.15% (2013: 0.15%).

(c) Deposits At Call

The deposits bear floating interest rates at 0% pa. (2013: 0%)

No deposits were held by the Group during the current financial year.

(d) Interest rate Risk Exposure

The Group's exposure to interest rate risk is discussed in Note 3.

(e) Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities

	2014	2013
Loss for the year	**(8,207,715)**	(2,418,497)
Depreciation/Amortisation expense	**1,463,028**	272,780
Inventory write-down	**141,410**	88,477
Bad debts	**4,072**	21,635
Non-cash share expense – share based payments	**562,124**	127,357
Gain on acquisition	**(2,684,300)**	-
Loss on associate	**-**	1,161,502
Gain from remeasuring equity investment to fair value	**-**	(2,561,518)
Recognise tax effect on capital raising costs	**-**	187,545
Share issue costs (Finance activities)	**-**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
Increase in receivables	**(86,789)**	(471,719)
Increase in inventories	**(1,004,588)**	(197,888)
(Increase)/decrease in net tax asset	**(22,800)**	17,235
Increase in deferred tax	**(1,187,562)**	(521,467)
(Decrease)/increase in creditors	**(52,393)**	432,201
Increase in other provisions	**431,162**	165,097
Net cash outflow from operating activities	**(10,644,351)**	(3,697,260)

(f) Non-cash investing and financing activities

The Group has no non-cash investing and financing activities to disclose.

27. COMMITMENTS

Total expenditure commitments at reporting date not provided for in the financial statements

	CONSOLIDATED	
	2014	2013
	$	$
(a) Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	598,488	152,596
Later than one year but no later than five years	1,407,180	109,475
Later than five years	-	-
	2,005,668	262,071

The Company leases office space in Perth and Brisbane under operating leases that expiring in May 2015 and October 2016 respectively.
Admedus Regen Pty Ltd leases office space in Melbourne under operating leases that expiring in February 2016
Admedus Biomanufacturing Pty Ltd leases office and laboratory space under operating leases that expiring in February 2019
Admedus Vaccines Pty Ltd leases office and lab space under an operating lease that expires 6 January 2016.

28. SEGMENT REPORTING

a. Description of segments

Segment information is presented using a management approach, i.e. segment information is provided on the same basis as information as used for internal reporting purposes by the chief operating decision makers (board of directors that make key strategic decisions).

Management has determined that there are four identifiable reportable segments as follows:

- Disposable medical product and medical devices distribution;
- Bioimplants operations of Admedus Regen Pty Ltd; and
- DNA Vaccines operations of Admedus Vaccines Pty Ltd.
- Manufacturing operations of Admedus Biomanufacturing Pty Ltd.

Intersegment transactions
Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

28. SEGMENT REPORTING (continued)

Segment information

	Medical products & devices $	Bioimplants $	DNA Vaccines $	Manufacturing $	Total $
2014					
Total segment revenue	**7,502,708**	**397,387**	**-**	**-**	**7,900,095**
Segment profit/(loss)	**(279,059)**	**(2,963,964)**	**(2,751,781)**	**(219,600)**	**(6,214,404)**
Segment assets	**4,591,898**	**2,051,355**	**7,200,353**	**3,398,757**	**17,242,363**
Segment liabilities	**883,085**	**426,994**	**317,806**	**680,826**	**2,308,711**
Other information					
Acquisition of non-current assets	**14,072**	**124,489**	**-**	**3,208,853**	**3,347,414**
Depreciation	**17,184**	**19,193**	**1,308**	**180,810**	**218,495**
Asset write-down	**141,941**	**-**	**-**	**-**	**141,941**
Loss from equity accounting	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**-**
Impairment of intangibles	**-**	**-**	**-**	**-**	**-**
2013					
Total segment revenue	7,390,988	12,000	-	-	7,402,988
Segment profit/(loss)	752,706	(2,520,798)	-	-	(1,768,092)
Segment assets	1,833,671	213,024	6,817,761	-	8,864,456
Segment liabilities	1,201,464	54,597	21,454	-	1,277,515
Other information					
Acquisition of non-current assets	10,912	6,297	-	-	17,209
Depreciation	24,422	5,014	-	-	29,436
Asset write-down	110,112	-	-	-	110,112
Loss from equity accounting	-	-	-	-	-
Share-based payments	-	-	-	-	-
Impairment of intangibles	-	-	-	-	-

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation.

Segment revenue reconciles to total revenue from continuing operations as follows:

	CONSOLIDATED	
	2014 **$**	2013 $
Segment revenue	**7,900,095**	7,402,988
Interest revenue	**40,527**	12,200
Total revenue from continuing operations	**7,940,622**	7,415,188

28. SEGMENT REPORTING (continued)

(ii) Segment result

Performance is measured based on segment result before tax.

The reconciliation of segment information to loss before income tax from continuing operations is as follows:

	CONSOLIDATED	
	2014 **$**	2013 $
Segment loss	**(6,214,404)**	(1,768,092)
Unallocated:		
Depreciation	**(9,088)**	(1,965)
Amortisation	**(406,077)**	(241,379)
Loss from equity accounting	**-**	(1,161,502)
Gain on equity accounted investment	**-**	2,561,518
Gain on acquisition	**2,684,300**	-
Share-based payments	**(446,674)**	(7,569)
Other administration (expenses)/benefits	**(5,706,062)**	(2,404,335)
Loss before income tax from continuing operations	**(10,098,005)**	(3,023,324)

(iii) Segment assets and liabilities

Segment assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

Segment assets include all assets used by the segment and consist primarily of operating cash, receivables, property, plant and equipment and other intangible assets.

Segment liabilities consist primarily of creditors, employee benefits and borrowings.

Reportable segment assets reconciled to total assets as follows:

28. SEGMENT REPORTING (continued)

	CONSOLIDATED 2014 $	2013 $
Segment assets	**17,242,363**	8,864,456
Intersegment eliminations	**-**	2,712,774
Unallocated:		
Cash and cash equivalents	**17,396,916**	1,251,797
Trade and other receivables	**112,000**	14,823
Property, Plant & Equipment	**49,381**	2,009
Deferred tax asset	**2,173,883**	697,930
Intangibles	**2,786,830**	3,020,007
Total assets per the statement of financial position	**39,761,372**	16,563,796

Reportable segment liabilities reconciled to total liabilities as follows:

	CONSOLIDATED 2014 $	2013 $
Segment liabilities	**2,308,711**	1,277,515
Intersegment eliminations	**-**	-
Unallocated:		
Trade and other payables	**167,352**	66,664
Income tax provision	**70,358**	93,158
Provisions	**48,077**	51,385
Total liabilities per the statement of financial position	**2,594,498**	1,488,722

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

	CONSOLIDATED 2014 $	2013 $
Short-term employee benefits	**1,212,750**	1,389,671
Post-employment benefits	**121,275**	134,638
Non-monetary benefits	**-**	-
Share-based payments	**199,456**	38,824
	1,533,481	1,563,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options provided as remuneration and shares

Details of options provided as remuneration and shares issued on the exercise of options, together with terms and conditions of the options can be found in Section D of the Remuneration Report.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Admedus Limited, including their personally related parties, are set out below:

Option holder	Balance at the start of the year	Granted as compensation	Options beneficially held	Net change/ Cancelled	Purchased	Expired/ Exercised	Balance at the end of the year	Unvested	Vested and exercisable
2014									
Directors of Admedus Limited									
C. Catlow	16,000,000	900,000	-	-	-	-	16,900,000	6,233,334	10,666,666
L. Rodne	19,200,000	3,800,000	-	-	-	-	23,000,000	10,200,000	12,800,000
G Rowley	8,000,000	500,000	-	-	-	-	8,500,000	3,166,667	5,333,333
M. Bennett	2,500,000	1,300,000	-	-	-	-	3,800,000	2,133,334	1,666,666
P. Turvey	1,000,000	500,000	-	-	-	(333,333)	1,166,667	833,334	333,333
Other key management personnel of the group									
S. Mann	3,400,000	-	-	-	-	-	3,400,000	1,466,667	1,933,333
J. Chick	9,000,000	-	-	-	-	-	9,000,000	4,333,334	4,666,666
2013									
Directors of Admedus Limited									
C. Catlow	16,000,000	-	-	-	-	-	16,000,000	10,666,667	5,333,333
L. Rodne	19,200,000	-	-	-	-	-	19,200,000	12,800,000	6,400,000
G Rowley	8,000,000	-	-	-	-	-	8,000,000	5,333,334	2,666,666
M. Bennett	2,500,000	-	-	-	-	-	2,500,000	1,666,667	833,333
P. Turvey	1,000,000	-	-	-	-	-	1,000,000	666,667	333,333
Other key management personnel of the group									
S. Mann	2,400,000	1,000,000	-	-	-	-	3,400,000	2,600,000	800,000
J. Chick	5,000,000	4,000,000	-	-	-	-	9,000,000	7,333,334	1,666,666
R. Atwill	3,000,000	-	-	(2,000,000) [a]	-	-	1,000,000	-	1,000,000

(a) R. Atwill resigned 7 June 2013.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(iii) Share holdings

The number of shares in the Company held during the financial year by each Director of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Ordinary shareholders	Balance at the start of the year	Received during the year on exercise of options	Other changes during year	Balance at the end of the year
2014				
Directors of Admedus Limited				
C. Catlow	14,635,477	-	3,171,934	17,807,411
L. Rodne	24,129,398	-	2,150,000	26,279,398
G Rowley	16,584,292	-	3,474,923	20,059,215
M. Bennett	10,620,000	-	1,874,000	12,494,000
P. Turvey	1,388,664	333,333	720,205	2,442,202
Other key management personnel of the group				
S. Mann	-	-	-	-
J. Chick	4,751,176	-	(651,176)	4,100,000
2013				
Directors of Admedus Limited				
C. Catlow	12,227,289	-	2,408,188	14,635,477
L. Rodne	23,379,398	-	750,000	24,129,398
G Rowley	15,513,789	-	1,070,503	16,584,292
M. Bennett	10,360,508	-	259,492	10,620,000
P. Turvey	-	-	1,388,664	1,388,664
Other key management personnel of the group				
S. Mann	-	-	-	
J. Chick	1,360,000	-	3,391,176	4,751,176
R. Atwill	1,000,000	-	(1,000,000) [a]	-

(a) R. Atwill resigned 7 June 2013.

There are no loans or other transactions at the end of the current year or prior year to Directors of Admedus Limited.

30. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The parent entity within the Group is Admedus Limited.

(b) Subsidiary

Interest in subsidiary is set out in Note 19.

(c) Key Management Personnel

Disclosures relating to Directors and specified executives are set out in Note 29.

(d) Transactions and Balances with Related Parties

No related party transactions were noted during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

31. SHARE BASED PAYMENTS

(a) Employee Share Option Plan

The Admedus Employee Share Option Plan (ESOP) was approved by shareholders at the 2012 Annual General Meeting. Eligible Employees (as defined in the Plan and which includes Directors, employees and consultants) are able to participate in the Plan.

The terms of the ESOP include:
- Options are issued to selected Eligible Employees for free;
- The allotment of options is at the discretion of the Board of Directors;
- Shares allotted on the exercise of the options are to be issued at an exercise price determined by the Board in its absolute discretion, which price shall not be less than the minimum exercise price permitted by the Listing Rules;
- Options expire 5 years after the grant date;
- Options are unlisted and not transferable unless the Directors in their absolute discretion agree to a transfer; and
- Options carry no dividend rights or voting rights.

The Company has 15,000,000 staff options over ordinary shares in the Company as at 30 June 2014 (2013: 15,300,000).

On 16 December 2013 an executive received 2,000,000 options as a sign-on bonus and 7,000,000 options were issued to directors in accordance with resolution from 2013 AGM (Tranche A).

On 28 March 2014 an executive received 2,000,000 options as a sign-on bonus (Tranche B).

On 21 May 2014 an executive received 3,000,000 options (Tranche C) as a sign-on bonus and the Company issue 15,000,000 (Tranche D) options to staff under the ESOP.

Set out below are summaries of options granted by Admedus Limited:

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Exercised during the year Number	Balance at end of the year Number	Value at grant date
		2014						
22/10/2009	22/10/2014	0.10	5,000,000	-	-	-	5,000,000	200,000 [a]
12/8/2011	10/7/2016	0.06	7,400,000	-	-	(3,483,333)	3,916,667	300,440 [a]
22/8/2011	10/7/2016	0.06	53,600,000	-	-	(1,300,000)	52,300,000	460,960 [a]
20/10/2011	20/10/2014	0.06	6,000,000	-	-	(6,000,000)	-	102,000 [a]
18/5/2012	18/5/2017	0.06	3,800,000	-	-	(1,333,333)	2,466,667	85,453 [a]
24/4/2013	1/3/2018	0.06	2,000,000	-	-	-	2,000,000	13,153
18/6/2013	18/6/2018	0.095	15,300,000	-	-	-	15,300,000	175,323
16/12/2013	16/12/2018	0.27	-	9,000,000 [A]	-	-	9,000,000	161,981
28/3/2014	1/2/2019	0.245	-	2,000,000 [B]	-	-	2,000,000	16,386
21/5/2014	1/7/2018	0.17	-	3,000,000 [C]	-	-	3,000,000	63,968
21/5/2014	21/5/2019	0.17	-	15,000,000 [D]	-	-	15,000,000	39,565
Total			**93,100,000**	**29,000,000**	**-**	**12,116,666**	**109,983,334**	**1,619,289**
Weighted average exercise price			$0.068	$0.206	-	0.060	$0.105	

(a) Valuation of options was expensed in the 2010, 2011 and 2013 financial years

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Exercised during the year Number	Balance at end of the year Number	Value at grant date
		2013						
22/10/2009	22/10/2014	0.10	5,000,000	-	-	-	5,000,000	200,000 [a]
	31/12/2012	0.10	209,172		(209,172)	-	-	-
12/8/2011	10/7/2016	0.06	7,400,000	-	-	-	7,400,000	300,440 [a]
22/8/2011	10/7/2016	0.06	53,600,000	-	-	-	53,600,000	460,960 [a]
20/10/2011	20/10/2014	0.06	6,000,000	-	-	-	6,000,000	102,000
18/5/2012	18/5/2017	0.06	5,800,000	-	(2,000,000)	-	3,800,000	85,453
24/4/2013	1/3/2018	0.06	-	2,000,000	-	-	2,000,000	1,988
18/6/2013	18/6/2018	0.095	-	15,300,000	-	-	15,300,000	5,581
Total			**78,009,172**	**17,300,000**	**(2,209,172)**	**-**	**93,100,000**	**1,156,422**
Weighted average exercise price			$0.063	$0.091	$0.064	-	$0.068	

(b) Valuation of options was expensed in the 2010 and 2011 financial years

FOR THE YEAR ENDED 30 JUNE 2014

31. SHARE BASED PAYMENTS (Continued)

(b) Expenses Arising from Share Based Payment Transactions

Total expenses arising from share based payment transactions recognised during the period were as follows:

	CONSOLIDATED	
	2014	2013
	$	$
Employee bonus shares	**-**	-
Options issued under employee option plan	**446,674**	7,569
Options issued to consultants (included in administration expenses)	**-**	-
Total expenses from share-bases transactions	**446,674**	7,569

(c) Fair Value of Options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2014 was 10.05 cents per option for Tranche A, 8.97 cents per option for Tranche B, 6.40 cents per option for Tranche C and 7.04 cents per option for Tranche D. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2014 included:

	Tranche A	**Tranche B**	**Tranche C**	**Tranche D**
Details:	All Tranches of options are granted for no consideration and vest based on holder still being employed by Admedus Limited over a three year period. Vested options are exercisable for a period up to expiry date.			
Exercise price:	$0.27	$0.245	$0.17	$0.17
Grant date:	16 December 2013	28 March 2014	21 May 2014	21 May 2014
Expiry date:	16 December 2018	1 February 2019	1 July 2018	21 May 2019
Share price at grant date:	$0.16	$0.145	$0.11	$0.11
Expected price volatility of the company's shares:	90%	90%	90%	90%
Risk-free interest rate:	2.79%	3.42%	3.10%	3.10%
Fair value at grant date:	$0.1005	$0.0897	$0.0640	$0.0704

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

FOR THE YEAR ENDED 30 JUNE 2014

32. FAIR VALUE MEASUREMENT

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
Consolidated - 2014	$	$	$	$
Assets				
Intellectual Property	**-**	**5,305,935**	**-**	**5,305,935**
Property, plant and equipment	**-**	**3,139,250**	**-**	**3,139,250**
Total assets	**-**	**8,445,185**	**-**	**8,445,185**
Liabilities				
Restoration provision	**-**	**455,000**	**-**	**455,000**
Total liabilities	**-**	**455,000**	**-**	**455,000**

	Level 1	Level 2	Level 3	Total
Consolidated - 2013	$	$	$	$
Assets				
Intellectual Property	-	6,300,000	-	6,300,000
Property, plant and equipment	-	-	-	-
Total assets	-	6,300,000	-	6,300,000
Liabilities				
Restoration provision	-	-	-	-
Total liabilities	-	-	-	-

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair values of Intellectual property, Property, plant and equipment and Restoration provisions have been calculated by independent valuation specialists.

33. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 22 July 2014, the Group announced that 100,000 options were exercised at $0.06.

On 24 July 2014, the Group announced the additional investment into Admedus Vaccines to increase the shareholding to 66.3%.

On 14 August 2014, the Group announced the Admedus Biomanufacturing facility would be officially opened on 15 August 2014 and it had completed shipment of first batch of CardioCel® produced at the facility to the US for sale

34. DIVIDENDS

No dividends have been declared or paid during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

35. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Admedus Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	THE COMPANY	
	2014	2013
	$	$
Current assets	**17,508,915**	1,250,110
Non-current assets	**13,391,729**	6,655,664
Total assets	**30,900,644**	7,905,774
Current liabilities	**179,456**	87,962
Non-current liabilities	**35,972**	29,977
Total liabilities	**215,428**	117,939
Contributed equity	**78,494,056**	50,325,615
Accumulated losses	**(49,576,924)**	(43,859,191)
Option reserve	**1,768,085**	1,321,411
Total equity	**30,685,217**	7,787,835
Profit/(loss) for the year	**(5,717,232)**	(2,414,699)
Other comprehensive income/(loss) for the year	**-**	-
Total comprehensive income/(loss) for the year	**(5,717,232)**	(2,414,699)

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

Commitments of the parent entity

The commitments for the parent entity are detailed in note 27.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated income statement, consolidated statement of consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of cash flow, consolidated statements of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:

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

   (c) comply with International Financial Reporting Standards as disclosed in Note 1.

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.

3. The remuneration disclosures included in the Director's Report (as part of the Remuneration Report) for the year ended 30 June 2014, comply with section 300A of the *Corporations Act 2001*.

4. The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

C Catlow

CHRISTOPHER CATLOW
Chairman

Perth, Western Australia

Dated 27 August 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Admedus Ltd

Report on the Financial Report

We have audited the accompanying financial report of Admedus Ltd, 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 consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 gives a true and fair view and 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 Stat*ements, 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 judgement, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Admedus Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity'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.

Report on the Remuneration Report

We have audited the Remuneration Report included in 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 Admedus Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh

Director

Perth, 27 August 2014

SHAREHOLDER DETAILS

The number of shares held by the substantial shareholders as at 27 August 2014:

Name	No. ordinary shares held	% of issued capital held
Minderoo Group Pty Ltd	173,027,958	12.01

Voting rights
The shares carry the right to one vote for each share held.

Distribution of shareholders
Number of ordinary shareholders: 6,973

Number of ordinary shares	No. of shareholders
1 - 1,000	231
1,001 - 5,000	536
5,001 - 10,000	860
10,001 - 100,000	3,467
100,001 and over	1,879
Total	6,973

Twenty Largest Shareholders

Name	No. ordinary shares held	% of issued capital held
Minderoo Group Pty Ltd	173,027,958	12.01
MC Management Group Pty Ltd <The MC Master A/C>	42,610,297	2.96
Mr Lee Eric Rodne	26,278,534	1.82
Emichrome Pty Ltd	22,976,000	1.59
Mr William Graeme Rowley	20,059,215	1.39
Rosherville Pty Ltd	18,850,000	1.31
Broadscope Pty Ltd <The Catlow Family A/C>	17,807,411	1.24
Mr Athanasioa Farmakis	14,400,000	1.00
Alocasia Pty Ltd <Camellia Super Fund A/C>	13,723,600	0.95
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	13,644,639	0.95
Langcroft Pty Ltd	13,459,998	0.93
Citicorp Nominees Pty Ltd	12,449,577	0.86
Parerg Pty Ltd	11,000,000	0.76
MC Management Group Pty Ltd <MC Master A/C>	10,000,000	0.69
Mr Adrian Avotins	8,500,000	0.59
Mr John William Cunningham	8,160,000	0.57
Mr Maximino Amoedo	7,930,000	0.55
Amric Pty Ltd <Amric Superfund A/C>	7,488,318	0.52
Mr Paul Glendon Hunter	7,000,000	0.49
J P Morgan Nominees Australia Ltd	6,517,878	0.45

The 20 largest shareholders hold 31.63% of the Company's issued capital.