INNOVATIVE HEALTH SOLUTIONS

Annual Report 2015

ADMEDUS LTD ABN 35 088 221 078

Corporate Directory

Registered Office and Principal Place of Business

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Malaga, Western Australia 6090

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F. +61 8 6240 6199

Postal Address

26 Harris Road
Malaga, Western Australia 6090

Website and Email Address

www.admedus.com
info@admedus.com

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008

Share Registry

Computershare Investor Services
Pty Limited
Level 11
172 St Georges Terrace
Perth WA 6000

T. 1300 850 505 (within Australia)
T. +61 3 9415 4000 (outside Australia)
F. +61 3 9323 2033

Stock Exchange

Shares listed on the Australian Stock Exchange
ASX Code: AHZ

Solicitors

Norton Rose Fulbright Australia
Level 39, 108 St Georges Terrace
Perth, Western Australia 6000

Bankers

ANZ
77 St Georges Terrace
Perth, Western Australia 6000

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Chairman's Letter

Chris Catlow, Chairman

Admedus Ltd

It gives me great pleasure to present our Annual Report for the year ending 30 June 2015.

It's been a productive 12 months for Admedus, as we continue our mission to improve patients' lives through the development and commercialisation of new technologies and innovative medical products.

As a specialist healthcare company, Admedus has four divisions which span Immunotherapies for the prevention and treatment of disease and cancers; Tissue Engineering to treat and repair areas within the body; our Medical Products division that assists hospitals by providing cutting edge medical technology for patient care; and our leading manufacturing team.

In the last year we have seen our international footprint expand, with CardioCel® now used in over 95 centres, mainly in Europe and the US, and new approvals achieved in Canada, Singapore and Hong Kong.

Since the initial launch, we have expanded the CardioCel® product range from a 4cm x 4cm product to include a 2cm x 8cm and a 2cm x 2cm product. Based on this success, we are currently investigating ways the ADAPT™ engineering process can be used to develop additional regenerative tissue products for a broad range of surgical uses in the international market.

With our expansion into new markets and growth of international sales, we have focused our capital investment on building a team of skilled professionals to help support this progress. As a result, we have bolstered our international sales and marketing team with expert individuals who can assist us in meeting the growing demand for CardioCel®.

During the year, the Admedus team has continued to work closely with renowned immunologist and Australian of the Year, Professor Ian Frazer. Our Human Papillomavirus (HPV) therapeutic vaccine is progressing to a Phase Ib study after showing very positive preclinical data. In addition, our Herpes Simplex 2 (HSV-2) vaccine received approval late last year to be tested in people infected with HSV-2. The trial has advanced well, with people in the study receiving initial doses and the Company anticipating interim results towards the end of 2015.

Our range of medical infusion products sold in Australia and New Zealand continue to provide hospitals and the healthcare industry with the ability to deliver the very best in patient care. Our infusion solutions combine quality and accuracy with the latest technology and are preferred by many of Australasia's leading hospitals.

In the last 12 months, revenue for Admedus rose by 28% to $10.2M, with sales of CardioCel® accounting for over $2.5M as a result of its first full year on the market in Europe and the initial year of launch in the US. The loss for the period was $26.8M including write-downs. This amount can be regarded as an investment in our future as we continue to build Admedus internationally and establish the infrastructure for growing product sales in the coming 12 months and beyond.

We thank you for your support as we build a global healthcare company and look forward to continuing to grow our Company together and deliver products that can prevent, treat and repair in order to make a difference to patient lives.

Chris Catlow
Chairman

Admedus' Milestones

2014

For more information about Admedus' research and development please visit

www.admedus.com

Follow us online at

www.facebook.com/admedus

www.twitter.com/admedus

www.youtube.com/c/admedushealth

www.linkedin.com/company/admedus

24 July

Admedus increased its ownership in Admedus Vaccines to 66.3%

14 August

Commenced first shipment of CardioCel® to the US from its Malaga, WA manufacturing plant

15 August

Officially opened new, state of the art manufacturing facility in Malaga, WA

2 October

HSV-2 Phase 1 study successfully completed after trial reached its primary endpoint of safety. 95% of trial participants met the clinical trial T-cell positive response endpoint

11 October

CardioCel® showcased at the 28th European Association for Cardio-Thoracic Surgery (EACTS) Annual Meeting

20 October

CardioCel® granted a Medical Device Licence in Canada by Health Canada

3 November

CardioCel® given special access in Singapore by the Singapore Health Sciences Authority. Four Singapore hospitals gained access to CardioCel® under the Singapore Health Sciences Authority Early Access Programme

24 November

HPV therapeutic vaccine progressed towards Phase Ib study after showing positive preclinical data

24 December

HSV-2 vaccine Phase II study received ethics approval to commence immediately

2015

12 March

CardioCel® entered the market in Hong Kong. First centres in Italy and France also use CardioCel®

6 April

Admedus received positive initial results in a preclinical study for the repair of dura mater using ADAPT™ treated tissue

10 April

Patients received first dose in HSV-2 Phase II study this month

17 April

Admedus completed a successful capital raise of approximately $28 million

22 April

Admedus appointed Genpharm (Dubai, UAE) as its exclusive distribution partner for CardioCel® in the Middle East and North Africa region

23 April

CardioCel® featured at prominent heart valve conferences: AATS Mitral Conclave meeting in New York and AATS 2015 Annual Meeting in Seattle

18 May

Admedus announced a new 2cm x 8cm CardioCel® tissue patch used for vascular repairs would be launched in the US in June 2015

5 June

Patients receive second dose of the therapeutic vaccine in HSV-2 Phase II study

19 June

CardioCel® approved for use in Singapore

8 July

Follow up with Phase II trial patients showed CardioCel® exhibits no calcification 7 years after implant

2015 Review of Operations

Lee Rodne, Managing Director

Admedus Ltd

It has been a very productive year for Admedus, as we continue to grow our international footprint and focus on our mission of making a difference to patients' lives.

As a specialist healthcare company with an international outlook, we have taken strategic steps in the last 12 months to establish a strong foundation for future growth. We have a skilled sales team, a portfolio of products already on the market and an exciting combination of platform technologies that enable the development of multiple products into the future. Throughout the year, we have been focused on delivering results to shareholders, but also on ensuring the success of the Company over the coming years.

Over the past 12 months Admedus has achieved a number of major milestones including:

- Launching CardioCel® in the US
- Launching CardioCel® in Canada, Singapore and Hong Kong
- Positive Phase I HSV-2 clinical study results and initiating a Phase II study
- Extremely positive HPV pre-clinical study results
- Expansion of the CardioCel® product range
- Revenue up 28% compared to the previous year

Admedus has invested in building our sales, product, R&D and marketing teams over the past year and this has resulted in very positive outcomes across the Company. Revenue over the past year rose by 28% and overall income for the Company exceeded $10M for the first time. This sales increase is the result of building a product pipeline, and developing a strong sales and marketing team that can continue to focus on growing sales. This investment is expected to deliver for the Company and shareholders in the coming years.

In the past 12 months, we have opened up the US market for CardioCel® to complement the launch of the product in Europe six months earlier. In addition, we have continued the international launch of CardioCel®, with product approvals in Canada, Singapore and Hong Kong. To further support our international activities, we have also entered into a partnership with Genpharm to launch and sell CardioCel® in the Middle East and North Africa. The Admedus team will continue to leverage the infrastructure that has been built to date. With over 95 centres using CardioCel®, the Company and the team will focus on growing CardioCel® sales in those countries, as well as seeking approvals in new markets.

The team at Admedus continues to build on the two technology platforms within the Company.

The Admedus team has continued to work diligently on the development of the ADAPT™ tissue engineering product portfolio. The two main areas of focus for the R&D team are the continued expansion of the cardiovascular product range and the development of ADAPT™ engineered tissue for other surgical applications.

Admedus is developing and commercialising Professor Ian Frazer's next generation vaccine technology

CardioCel® is designed to treat and repair paediatric and adult heart defects

In April of this year, the Company announced initial positive results from its study with ADAPT™ tissue in the repair of dura mater.

As a result of the successful initial results, the Company will progress this program over the coming year.

Working with Professor Ian Frazer, Admedus has made very positive developments on our immunotherapies programs. After achieving a positive Phase I study result for our Herpes Simplex 2 (HSV-2) therapeutic vaccine, the team has progressed the HSV-2 programme into a Phase II study. The company anticipates getting initial results from the current HSV-2 Phase II clinical study in the coming financial year.

In addition, the Human Papillomavirus (HPV) programme produced very successful preclinical results, showing 100% viral clearance and 87% tumour clearance in a HPV tumour related model. This result is better than anything seen previously. As a result of this positive study the team is now taking the program into clinical studies, which is anticipated to be initiated this financial year.

After acquiring our state of the art manufacturing facility in Malaga in 2014, the team has worked tirelessly to get the site up and running, with the first CardioCel® product shipped to international markets in August last year. Since then, Admedus has continued to invest in the facility and grow its capacity to meet increased international demand. The team has established R&D development capabilities within the facility, which will enable Admedus to continue developing new products and building our ADAPT™ engineered tissue product pipeline. The first of these new products, a 2cm x 8cm CardioCel® product, was released in June to complement the other CardioCel® sizes already on market.

In July this year, we announced very important data that showed that seven years post-implantation in a patient, CardioCel® still showed no signs of calcification, and the patient has not required any additional surgeries. The patient was under 3 months old and it was a complex cardiovascular reconstruction procedure. This represents a key milestone for our technology, as it demonstrates the potential long-term benefits of CardioCel® for treatment and repair of cardiovascular defects. From a healthcare perspective, it also suggests that in the future surgeons may be able to reduce, if not eliminate, the need for patients to undergo repeat procedures when defects, such as leaky heart valves, need repair or reconstruction.

This represents long-term benefits for patients by removing the need for repeated replacement procedures in the future.

The last financial year has seen an increase in spending across the Company, as we allocate capital to grow our manufacturing capabilities in order to meet market demand; continue to build our sales teams and sales infrastructure for sales growth in the next 12 months and beyond; and further develop our technologies with the overall goal to drive sales growth, to become cash-flow positive and provide returns for shareholders. Management and the team remain vigilant of capital expenditure and aim to balance capital expenditure with the ongoing need to build the Company.

2015 Review of Operations continued

Admedus looking forward

The Company has built a foundation in sales and marketing over the past 12 months, and a range of CardioCel® products are now on the market in Europe, US, Canada, Hong Kong and Singapore, and being used in Australia through early access programs. From this base, we aim to grow sales for the Company in the coming 12 months and pursue new markets. Furthermore, the team will explore partnerships in markets where it is advantageous for the Company to enter into collaborations with local experts.

We will continue to explore new markets for CardioCel® as well as expanding the product range of regenerative bio-scaffold tissue products for the repair and reconstruction of cardiovascular defects. In addition, we have commenced studies to expand the overall regenerative tissue product pipeline, with the dura mater program advancing in the coming year in preparation for registration.

In the Immunotherapies division, we will continue to work with Professor Ian Frazer in a pivotal 12 months. We look forward to receiving Phase II interim results for the HSV-2 study and will focus on progressing the HPV study into an initial clinical study. These next studies will be important in further understanding the core technology and its potential across a range of disease states.

We look forward to another growth year, as we increase our sales internationally, across both the infusion product range and our cardiovascular tissue range, and continue our R&D and product development targeting large markets.

We would like to thank shareholders and stakeholders for their ongoing support. The goal is to continue to build Admedus into an international healthcare company with robust sales and positive cash-flow and a portfolio of products developed from core platform technologies, as well as our established infusion product range. The coming year will bring another exciting 12 months for the Company and we look forward to your ongoing support.

Lee Rodne

Lee Rodne
Managing Director

Becoming an international healthcare leader

We promised to channel considerable resources and expertise into launching CardioCel® in Europe and the US, and the result has been the foundation of successful market penetration across these regions.

In February 2014, the Company received marketing clearance for CardioCel® in the US, with initial sales occurring towards the end of the financial year. CardioCel® sales continue to increase, with the product used in over 95 centres in Europe and the US. Over the past year, our sales and marketing team has strengthened across Europe and the US. These markets will continue to be a key priority throughout 2015. Admedus is focused on building the initial sales of CardioCel® and establishing it as the gold standard in the repair of cardiovascular defects, as well as seeking additional marketing approvals in other jurisdictions.

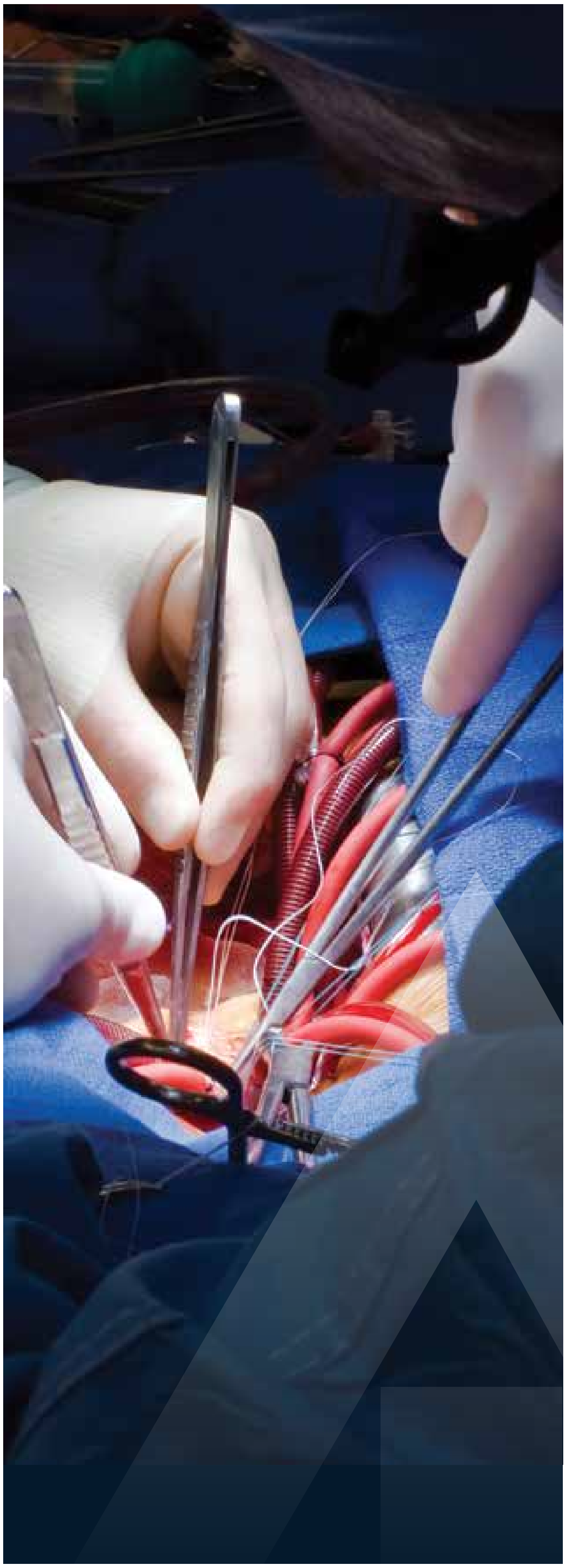
During the last financial year, Admedus successfully acquired a manufacturing facility in Malaga, Western Australia, which enables the Company to supply CardioCel® to meet international demand.

Admedus recorded a loss of $26.8m for the last financial year, attributable mainly to capital allocation into key R&D areas such as the regenerative tissue portfolio and the therapeutic vaccines programmes, as well as establishing our manufacturing facility in Malaga. Over the year, the Company increased revenue by 28% to $10.2m.

During the last 12 months, Admedus made considerable investment in R&D and this remains a priority as the Company continues to grow its portfolio of products and technologies.

We believe strategic capital allocation into our research, development and manufacturing divisions will ultimately create more long-term value for shareholders.

Within Australia and New Zealand, the Admedus sales and marketing team will continue to promote our extensive range of infusion devices to the healthcare sector over the next year. The Company will also strengthen and expand all areas of our business throughout 2015, as we establish Admedus as a market leader.



2015 Review of Operations continued

Admedus Regen

Since gaining market access in the previous financial year, we have been focused on the launch of CardioCel® and expanding the cardiovascular product range.

The Admedus Regen team has continued to work with surgeons and hospitals to present the benefits of CardioCel® and as a result CardioCel® has featured at a number of international conferences including the European Association for Cardiothoracic Surgery meeting (EACTS) in October 2014, the American Association for Thoracic Surgery meeting and the affiliated Mitral Valve Conclave in April this year.

The team has also continued to provide additional data to illustrate the benefits of CardioCel® in cardiovascular repairs and reconstructions. The updated data from the Phase II follow up patients showed that after 7 years for the lead patient there remained no detectable calcification of CardioCel® and no need for the patient to have any replacement surgeries. In addition the recent update shows that in total 13 patients have now progressed past 5 years post repair with CardioCel®, with no signs of calcification and no product related 'redo' surgeries.

As more and more patients are implanted with CardioCel® we anticipate further presentations and publications of data on CardioCel®. A good example was a paper presented at the German Thoracic Meeting held in February this year, highlighting the use of CardioCel® in a range of cardiovascular repairs, including repairing the pulmary, aortic and mitral valves. Results like these illustrate the broad range of indications where CardioCel® can be used including for congenital heart defects and all valve repairs.

The team has also manufactured a new tissue bio-scaffold size, a 2cm x 8cm tissue, suited for vascular repairs. As the Company continues to further develop extensions of the CardioCel® product range, we will utilise clinical data to highlight the benefits of CardioCel® in the repair of congenital heart defects, valve repairs and cardiac and vascular repairs and reconstructions.

In a productive year, the research and development team has also progressed the dura mater tissue product, achieving positive pre-clinical study results. The results showed that the ADAPT™ tissue had no post-operative leakage, no infection and no other surgical complications, as well as preliminary tissue regeneration and nurturing 'healing' around the implanted ADAPT™ tissue. In the coming year, we will look to take this program into further studies with a goal of expediting this product to registration submission.

The team has been working to build a portfolio of products across a broad range of surgical applications for significant markets. The Company will continue to provide shareholders with updates on these projects over the next 12 months.

Ultimately the goal of the team is to build a portfolio of regenerative tissue bio-scaffold products and to create multiple revenue streams.

Admedus Bio-Manufacturing

The manufacturing team has had a very productive 18 months. Since acquiring the manufacturing facility in Malaga in early 2014, the team was able to get the facility into commercial production, with the first shipments leaving the facility in August 2014. Since then, Admedus has invested in the manufacturing facility with the team increasing production to meet international demand. As mentioned above, we have built R&D capabilities within the facility that will enable more valuable product development within Admedus moving forward. We expect the R&D function to provide greater control for the Company in achieving its goal of establishing a portfolio of regenerative tissue products.

Admedus Vaccines

In the past 12 months, Admedus, in collaboration with Professor Ian Frazer and the team, have made significant progress within its therapeutic vaccines division.

Our therapeutic vaccines are immunotherapies, which are aimed at boosting a person's immune system, enabling them to fight certain diseases. The immunotherapies are also designed to train and boost the natural immune system.

Within the last year we have seen some major advances achieved in our immunotherapy programs. This includes our Herpes Simplex 2 (HSV-2) program completing its Phase I study, and achieving its safety data. In addition, 19 of 20 study participants showed a T-cell response against HSV-2 after not having any immunity against HSV-2 prior to treatment. The team have worked enthusiastically to progress this program into a Phase II clinical study in healthy people infected with HSV-2. The Company anticipates interim results for this program towards the end of 2015.

In October 2014, Admedus announced very exciting results for its pre-clinical studies in a therapeutic treatment for the Human Papillomavirus (HPV) program. In a HPV tumour transfer model (the TC-1 model), the results showed 100% survival and total tumour removal in over 87% of the animals. This was extremely positive as the best of all previous results in this model showed only a 40% percent survival rate. As a result, on numerous positive pre-clinical results, the team are in the progress of taking this program into clinical studies.

With such a constructive year behind us, the coming 12 months will provide further important data for the two immunotherapies programmes as they progress in clinical studies.

Admedus Sales & Marketing

The sales and marketing teams across Admedus have had another great year with overall revenue for the Company up 28%.

The Australian and New Zealand teams have worked very hard to increase and compliment the infusion business with increased focus on the Arcomed infusion system, which is a Swiss manufacturer. There has been a positive response from the Australian and New Zealand market to the introduction of Arcomed Infusion Solutions. During the year the team launched the next generation of Arcomed infusion pumps, the Chroma series. These pumps offer unique features and benefits to clinicians and users. The promotional activity and marketing done in the past 12 months has laid the basis for an expected higher growth in the coming year.

Growing CardioCel® internationally

Internationally the sales and marketing teams in the US and Europe have grown in line with sales. The past year represents the first year of CardioCel®'s launch in the US and the full year of sales in Europe. In the period we also saw the approval of CardioCel® in Canada and Hong Kong, and the first use of the product under a special access in Singapore. The team exceeded expectations with over 70 centres using CardioCel® for the first time in the past year.

We have highly qualified CardioCel® sales teams in US, Europe and Asia. Our sales are further supported by a strategic partnership with Genpharm, which will look after sales of CardioCel® in the Middle East and North Africa region. We believe the last 12 months have provided a foundation for ongoing sales growth in the next year and beyond. Working with the R&D teams, the sales teams will also be looking to launch additional CardioCel® products in the coming year.

For the first time, the Company finished the year with revenue over $10M.

Admedus has built a product portfolio, experienced sales teams and a base of over 95 centres internationally using the CardioCel® product range, which will enable the team to further increase sales as Admedus continues to grow its profile as an international healthcare company.

Board of Directors

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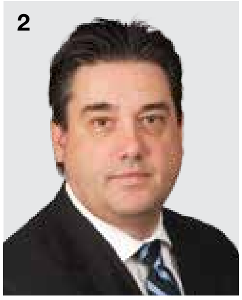
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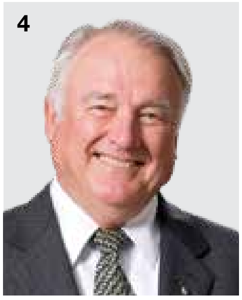
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1. Chris Catlow

Chairman

Chris Catlow is an experienced executive in the capital markets. Over his 25 year career, he has held various senior roles in major operating companies and has considerable experience in raising both equity and debt for large projects. Chris was the inaugural CFO of Fortescue Metals Group Ltd and played a central role in its development and in raising more than US$4 billion. Chris is currently the Non-Executive Chairman of Triton Minerals Ltd. His previous roles include Non-Executive Chairman of Sirius Minerals, Non-Executive Director of Indo Mines Ltd, Director of Consolidated Rutile Ltd and Executive General Manager Finance of Iluka Resources Limited. Chris has a Bachelor of Science in Engineering from the University of Durham, UK and is a Fellow of the Institute of Chartered Accountants in Australia.

2. Lee Rodne

Managing Director

Lee Rodne has over 15 years' of leadership experience in healthcare, technology, medical devices, and mining & renewable energy sectors in North America, the UK and Australia. Lee has been in executive leadership roles in both public and private enterprises. He has served as a Director and Vice President of a US based Healthcare Consulting & Distribution Company specialising in GE Healthcare products and services. Lee also led consulting services to the US Healthcare, Device and Technology industries including Hospitals, Clinics, Multi-National Medical Device companies, Healthcare Insurance markets and various technology driven companies. Lee holds an MBA from the University of St. Thomas, Minnesota and a B.A. degree in Business Management from St. John's University, Minnesota.

3. Michael Bennett

Executive Director

Michael Bennett has over 35 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. Michael worked with Ramsay Surgical Ltd, an Australian medical/surgical supply and distribution company until 1979. Since 1979, Michael owned and operated his own private surgical supply company, Bennett Medical, and exclusively represented several major overseas medical device manufacturing corporations. His company was involved in the introduction of many new surgical technologies to Australia. He sold the company in 2001. From 2001 he has been consulting to overseas surgical manufacturers and to the Australian medical industry in general.

4. Graeme Rowley

Non-Executive Director

Graeme Rowley played a central role in the development of Fortescue Metals Group Ltd from its inception in 2003 and recently retired as an Executive Director at the company. Previously, he was an executive with Rio Tinto Plc, holding senior positions in Hamersley Iron and Argyle Diamonds. Graeme's previous directorships have included Dampier Port Authority, the Pilbara Development Commission, the Council for the West Pilbara College of TAFE and the Western Australian State Government's Technical Advisory Council.

5. Peter Turvey

Non-Executive Director

Peter Turvey is currently a Principal of Foursight Associates Pty Ltd, and a Non-Executive Director at ASX-listed Starpharma Holdings Ltd, ASX-listed Viralytics Limited and Agriculture Victoria Services Pty Ltd. Peter is the former Executive Vice President Licensing and Company Secretary of global specialty biopharmaceutical company CSL Ltd, having retired in 2011. He joined CSL in 1992 as its first in-house Corporate Counsel and was appointed Company Secretary in 1998. He played a key role in the transformation of CSL from a government owned enterprise, through ASX listing in 1994, to a global plasma and biopharmaceutical company. He also had responsibility for the protection and licensing of CSL's intellectual property and for risk management within CSL, reporting to the Audit & Risk Management Committee of the Board as well as being the Chairman of the Corporate Risk Management Committee. Peter was directly involved in licensing the cervical cancer vaccine, Gardasil® to Merck & Co., the licensing of the Iscomatrix® adjuvant platform technology to the world's leading vaccine manufacturers, and establishment of the P.gingivalis vaccine technology collaboration between the CRC for Oral Health and Sanofi-Pasteur. Peter holds an Arts/Law degree from the Australian National University.

6. John Seaberg

Non-Executive Director

Between 2007 and 2014, John Seaberg was Founder, Chairman and CEO of NeoChord Inc, a venture capital-backed company commercialising technology developed at the Mayo Clinic for the repair of the mitral valve via minimally invasive techniques. Previously, he was employed by Guidant Corp from 1996 until 2006. During ten years at Guidant, he served in various executive level positions in sales and marketing, including Director of Bradycardia Marketing for Cardiac Rhythm Management (CRM) and Vice President of Sales for Cardiac Surgery, in which he managed a field sales team of more than 600 people and over $1 billion in revenue.

In 1991, John became a co-founder of ACIST Medical and served as its first President and CEO. He was also the founder and CEO of Seaberg Medical, a regional distributor of implantable cardiovascular devices. He served on the board of publicly traded Synovis Life Technologies (SYNO) from 2008 until its sale to Baxter Inc in 2012. Currently, John is Executive Vice President of Cedar Point Capital, a boutique investment banking firm in Minneapolis, Mn. USA. He is Chairman of Medicom Health Interactive and also Chairman of Phraxis Inc. which are both private healthcare companies. He lives in the US and holds a B.A in Speech Communications from the University of Minnesota and an MBA from the Carlson School of Management, also at the University of Minnesota.

7. Wayne Paterson

Non-Executive Director

Wayne has held numerous, senior positions in multi-national companies. Throughout his career, he has been responsible for building businesses throughout the world, as well as mergers and major restructures. From 2007 to 2013, he held senior positions at Merck Serono. In his most recent position as President of Europe, Canada and Australia, he managed over $3 billion in sales with an operational budget of $500 million. Wayne also held the position of Global Head of Cardio Metabolic Care and General Medicine, with revenue responsibility of $1.5 billion, and was responsible for all aspects of company strategy, including manufacturing strategies, commercial operations and budgets. Between 2010 and 2012, he was Head of Emerging Markets including Russia, China, India and Brazil, and was a member of the Executive Board. As President during 2007 until 2010 in Japan, Wayne created Merck Serono Japan and successfully managed all company divisions, launching several major products. Between 1994 and 2005, he was employed by Roche Pharmaceuticals. As Marketing Director in Shanghai, China, he launched eight products during this time, including cardiovascular products. Wayne is an Australian national and has resided overseas since 1999, having lived in China, Singapore, Korea, Japan, Switzerland and the US. He now lives in Switzerland, where he is CEO and co-founder of a software company that provides solutions to the global pharmaceutical industry. Wayne is also a Non-Executive Director of Cepheid (NASDAQ CHPD) a molecular diagnostics company based in California. Wayne holds an MBA from the University of Southern Queensland, and a degree in business studies from the Queensland University of Technology. He has also studied business courses at North Western University (Kellog School of Management) in Chicago, IMD Business School in Switzerland, INSEAD in France and Hong Kong University of Technology.

Senior Management

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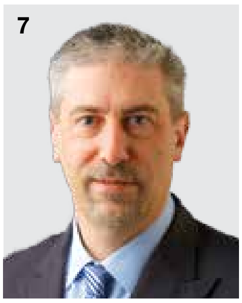


1. Julian Chick

Chief Operating Officer
Julian Chick is an experienced corporate executive with 15 years' experience in senior management. His roles include Chief Executive Officer and Head of Business Development, as well as running early and late stage Research & Development projects. In the past six years, Dr Chick has raised hundreds of million dollars for R&D projects as well as being involved in product launches and partnerships, M&A and licensing transactions. He has five years' investment adviser experience and has also held a role as an analyst reviewing healthcare and biotechnology investment opportunities for private equity investors and venture capitalists. Julian has a PhD in Muscle Physiology.

2. Stephen Mann

Company Secretary and Chief Financial Officer
Stephen Mann has more than 10 years' experience in commerce and public practice and has held senior finance positions with Bus and Coach International Pty Ltd and JV Global Ltd. He has worked in listed and private companies in various industries including retail, wholesale, logistics, construction and public accounting. Stephen specialises in management reporting, system improvement, financial management and mergers and acquisitions. As a member of the executive team he aims to provide enhanced services to the Board of Directors and shareholders of Admedus Ltd. Stephen has a Bachelor of Business majoring in Accounting and Business Law and is a member of the Institute of Chartered Accountants.

3. Danny Zanardo

Director – Sales
Danny Zanardo has over 20 years' experience in the Australian healthcare sector via positions with multinational pharmaceutical companies, biopharmaceutical start-up, and medical device companies. He has gained formal qualifications via a degree in applied science and has built upon this with post graduate business studies, and is currently working towards completing his MBA. During his career Danny has developed strong networks and an intimate understanding of medical device and pharmaceutical commercial and clinical environments. He has a successful track record of leading sales, marketing and clinical teams in commercial projects, with new and existing medical technology, that have resulted in significant revenue growth. Danny has worked with Rousell Uclaf, Hoffman La Roche, and Actelion. He joined Allied Medical as a Regional Sales Manager in 2004 and became National Sales Manager in 2005.

4. Tom Riester

US General Manager

Tom Riester has 25 years' healthcare industry leadership experience, working in Sales, Sales Management, Business Development, and Channel Development positions in start-ups through to Fortune 500 companies. He began his career in the managed care market in the US in 1992 at Quello Clinic, now part of the Allina Healthcare System in Minneapolis, MN. With a proven track record in developing new markets, Tom's previous role before joining Admedus in 2013 was at GE Healthcare, where he led the business development expansion of an acquisition. Tom received an Honorable Discharge from the US Army in 1989 and earned a Bachelors Degree from Western State Colorado University in Business Administration.

5. Helen Wray

VP of Operations

Helen Wray brings significant experience in the commercialisation of Health and Life Science technologies to the group. Helen has held a number of senior executive positions with local and international, public and private sector companies that focused on bringing new therapeutic products to market. Helen's career spans roles in Sales & Marketing, Product Development and Manufacturing, as well as the strategic management of Intellectual Property and Health Economics portfolios. Helen spent five years as an advisor commercialising novel health technologies and therapeutic products with Capra Group and has managed technologies through all stages of the commercialisation life cycle, from R&D to product launch. Helen has a BSc(Hons Pathology), MBA(Adv), MLM (IP Law) and is a Registered Trade Mark Attorney.

6. Geoffrey A. Strange

Global Medical Director

Associate Prof Geoffrey Strange has more than 15 years' clinical and medical affairs leadership experience in both the pharmaceutical and medical device industries in Australia, Asia Pacific, the EU and the US. Geoff has been involved in several start-up bio tech companies. He has a background in clinical cardiology and has a special interest in congenital heart disease, echocardiography and pulmonary hypertension. Geoff has more than 40 professional publications to his name, including books, peer review publications and abstracts presented at international scientific meetings. He has also been a speaker at many international scientific meetings held around the globe. Geoff holds several key positions, including Associate Professor with the University of Notre Dame School of Medicine and CEO of the Pulmonary Hypertension Society Australia and New Zealand Inc.

7. David Rhodes

Chief Scientific Officer

Dr David Rhodes joined Admedus as Chief Scientific Officer in July 2013. He has more than 15 years' experience in healthcare and biotechnology, where he has held senior management roles. David brings senior executive and leadership experience, extensive scientific expertise, the ability to formulate and translate science to outcomes, business management and commercialisation skills and extensive research networks, both locally and abroad. In 1994, he graduated with a PhD in Biochemistry from La Trobe University in Melbourne, Victoria. Since then, he has lead a team at one of Australia's leading virology institutes and held various senior roles, including senior executive Head of Drug Discovery and Senior Vice President Biology at Avexa Ltd. David has attracted significant levels of funding from many State, Federal and institute programs across numerous projects. He has published in many high impact peer reviewed journals and is an inventor on numerous patents. David is also an Adjunct Associate Professor in the Faculty of Engineering at Monash University.

Corporate Governance Statement

Admedus Ltd (**Admedus** or **Company**) and the Board of Directors of Admedus (**Board**) are committed to achieving and demonstrating high standards of corporate governance. In order to set these standards, the Board adheres to the Australian Securities Exchange (**ASX**) Corporate Governance Principles and Recommendations (3rd Edition) (**CGPR**).

This Corporate Governance Statement has been approved by the Board and outlines the Company's current corporate governance principles and practices which the Board considers to comply with the CGPR. This Corporate Governance Statement is current as at 30 June 2015.

Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(1.1) Role of Board and management	The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, as set out in the Admedus Board Charter (**Charter**) which is available on the Company's website. The Charter also provides an overview of the roles of the Chair, individual Directors, the Managing Director and Chief Executive Officer (**MD & CEO**) and the Company Secretary.
(1.2) Information regarding the election and re-election of director candidates	Admedus carefully considers the character, experience, education and skillset, as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate, prior to their election. Admedus has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director, is disclosed in the notice of meeting provided to shareholders.
(1.3) Written contracts of appointment	In addition to being set out in the Charter, the roles and responsibilities of Directors are also formalised in a letter of appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and refer to the Company's key governance policies. Each senior executive enters into a service contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements. Contract details of senior executives which are Key Management Personnel are summarised in the Remuneration Report on page 30 of the Company's Annual Report.
(1.4) Company Secretary	The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary. The appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out on page 29 of the Annual Report.

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(1.5) Diversity	The Board has implemented a Diversity Policy and measurable objectives which reflect the Company's commitment to ensuring that there are no impediments to diversity at any level of the Company. This Policy is available on the Company's website. The Company's workforce gender profile is summarised below:

	Female	Female %	Male	Male %
Whole of Company	42	47%	47	53%
Senior executive	1	8%	11	92%
Board members	0	0.0	7	100.0

The measureable diversity objectives established for the 2014-15 financial year and their current status is summarised below:

Objective Area	Objective	Measure	Current Status
Governance	Implement a Complaints Procedure that is compliant with the Company's values and meets legislative requirements.	Complaint procedure in place.	Guidelines for Complaint are included in the Company's Workplace Behaviour Policy.
Leadership	Establish Executive Mentoring Program for groups with minorities in leadership roles.	Mentoring Program in place.	Mentoring Program is being developed and is to be implemented.
Training	Create an online Diversity Training package for leaders and employees. Communicate and reinforce the Diversity Policy to the whole workforce.	Online training package for leaders and employees operational. Workforce and contractors have attended a training session.	Facilitator led training has commenced within the Company's induction programs and for existing staff. An on-line platform is in development.
Policy and Procedure	Develop and implement flexible working arrangement guidelines.	Policy developed and approved.	Complete.

(1.6) Board reviews	Pursuant to the Nomination Committee Charter (which is available on the Company's website), a performance review is undertaken at least every two years in relation to the Board and the Board Committees, and annually in relation to individual Directors.
(1.7) Management reviews	The Board annually evaluates the performance of the MD. A performance assessment for the MD was last conducted on 25 August 2015. The assessment of the MD was undertaken by the Remuneration Committee. The MD's performance was reviewed in relation to the Company's Key Performance Indicators.

Corporate Governance Statement continued

Principle 2: Structure the Board to add value

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(2.1) Nomination Committee	Currently, a separate Nomination Committee has not been formed. The Board considers that based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee. The full Board carries out the duties of the Nomination Committee. If a vacancy exists, through whatever cause, the services of a new Director with particular skills, the Board considers candidates with the appropriate expertise and experience. In so acting, the full Board follows the Nomination Committee Charter which is available on the Company's website.
(2.2) Board skills matrix	The Company's objective is to have an appropriate mix of expertise and experience on the Board and its Committees so that the Board can effectively discharge its corporate governance and oversight responsibilities. This mix is described below. Expertise: – Finance (markets) – Finance (accounting) – Legal, governance and compliance – Strategy – Commercial acumen – Licensing – Risk management – Health and safety – Executive leadership – Sales & Marketing Industry/Experience: – Global/international – Pharmaceuticals – Medical devices The Board is comfortable with the skills matrix represented by the current Board.
(2.3) Disclose independence and length of service	In accordance with the Board Charter, the majority of Directors are independent. The Board considers Mr Catlow, Mr Rowley, Mr Turvey, Mr Seaberg and Mr Paterson to be independent Directors. Details regarding the length of each Director's service are set out on page 27 of the Director's Report within the Annual Report.
(2.4) Majority of directors independent	In accordance with the Board Charter and as disclosed against Recommendation 2.3, the majority of Directors are independent. Details regarding the independence of the Directors are disclosed against Recommendation 2.3 above.
(2.5) Chair independent	The Chair, Mr Catlow, is an independent Non-Executive Director. The role of the MD & Chief Executive Officer is performed by another Director.
(2.6) Induction and professional development	An induction process including appointment letters exists to promote early, active and relevant involvement of new members of the Board. The Nomination Committee regularly reviews whether the Directors as a whole have the necessary skills and knowledge to fulfil their role on the Board. If a gap is identified, training/development opportunities are considered.

Principle 3: Act ethically and responsibility

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
3.1 Code of conduct	The Company has adopted a Code of Conduct which provides guidance to Directors, officers and employees on the standards of behaviour expected in the discharge of their duties on behalf of the Company. The Code is based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately and requires business affairs to be conducted ethically and with integrity. A copy of the Code is available on the Company's website. The Code of Conduct was last reviewed by the Board in February 2015.

Principle 4: Safeguard integrity in corporate reporting

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(4.1) Audit committee	The Company has established an Audit and Risk Management Committee (**ARMC**). The ARMC assists the Board to monitor the Company's financial reporting and auditing, as well as the management of financial risks. The ARMC comprises of the following five members, all of whom are independent Non-Executive Directors: – Mr Turvey (Chair); – Mr Catlow; – Mr Rowley; – Mr Paterson; and – Mr Seaberg. The MD, Chief Financial Officer (**CFO**) and the external auditors are usually in attendance at ARMC meetings by invitation. Members of the ARMC possess the requisite financial expertise necessary to effectively carry out the ARMC's mandate. Please refer to the Directors' Report for qualifications and attendance at ARMC Meetings. Members are also able to seek independent external advice in order to carry out their duties on the ARMC to ensure the integrity of the financial statements. The Committee follows a formal ARMC Charter which is available on the Company's website. Details regarding the number of times the ARMC met and attendance at those meetings are set out at page 29 of the Directors' Report.
(4.2) CEO and CFO certification of financial statements	The MD and the CFO sign-off in a representation letter addressed to the ARMC as part of the financial reporting process. The statement states that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards in accordance with section 295A of the Corporations Act 2001. The ARMC notes this written advice when considering the financial accounts of the Company.
(4.3) External auditor at AGM	The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The Company's current auditors are BDO Audit (WA) Pty Ltd. The appointment, replacement and remuneration of the Company's auditor are a 'retained power' of the Board which is discharged by the ARMC. The Company's auditors attend the annual general meeting to answer audit-related questions from the Company's security holders.

Principle 5: Make timely and balanced disclosure

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(5.1) Disclosure and Communications Policy	The Company has developed a Continuous Disclosure and Shareholder Communication Policy which aims to ensure timely compliance with the Company's obligations under the ASX Listing Rules to facilitate communication with shareholders. A copy of this Policy is available on the Company's website. The Company is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating information disclosures.

Principle 6: Respect the rights of security holders

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(6.1) Information of website	In addition to periodic ASX reporting, the Company ensures that all relevant information concerning the Company is available on its website. This includes ASX announcements which are posted on the Company's website as soon as practicable after release to the ASX. The website also includes an option for interested parties to register their email address for direct email on Company matters and to receive periodic newsletters on the Company's activities.
(6.2) Investor relations programs	Security holders are invited to attend the Company's annual general meeting and are given the opportunity to address questions to the Board and the Company's external auditors. General enquiries may also be directed to the Company via the contact form on the Company's website.
(6.3) Facilitate participation at meetings of security holders	Admedus uses technology to facilitate the participation of security holders in meetings including webcasting of meetings. The Company also provides a direct voting facility to allow security holders to vote ahead of the meeting without having to attend or appoint a proxy. Shareholders are encouraged to participate in general meetings and are given an opportunity to ask questions of the Company and its auditor at the annual general meeting.
(6.4) Facilitate electronic communications	Admedus provides investors the option to receive communications from and send communications to, the Company and the share registry electronically.

Principle 7: Recognise and manage risk

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(7.1) Risk Committee	The Board, through the ARMC, overseas the process for identifying and managing material risks in the Company in accordance with the Company's Risk Management Policy. Further details regarding the ARMC are set out in response to Recommendation 4.1.
(7.2) Annual risk review	The ARMC annually reviews risk management and internal control practices of the Company to ensure current good practice is maintained, and to preserve and create value within the organisation.
(7.3) Internal audit	While the Company does not have a formal internal audit function, it employs sufficient processes for evaluating and continually improving the effectiveness of its risk management and internal control processes. These are contained in the Company's risk management policies and as part of the Admedus quality assurance management system (internal audits in respect of which are undertaken at least once per annum).
(7.4) Sustainability risks	Admedus does not have any material exposure to economic, environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(8.1) Remuneration Committee	The Remuneration Committee comprises of the following five members, all of whom are independent Non-Executive Directors: – Mr Rowley; – Mr Catlow; – Mr Turvey; – Mr Paterson; and – Mr Seaberg. The purpose of the Remuneration Committee is to review and make recommendations to the Board in relation to the overall remuneration policy for the Company. The full role and responsibilities of the Remuneration Committee are contained in the Remuneration Committee Charter, which is available on the Company's website. The Board determines the level of remuneration for Directors based on the provision of services to the Company. Remuneration levels are set with reference to industry and market conditions and with regard to the size, nature and volume of operations and overall market capitalisation of the Company. Details of the Company's remuneration policy are set out in the Remuneration Report. Details of the number of times the Remuneration Committee met and attendance at those meetings are set out at page 29 of the Directors' Report.
(8.2) Disclosure of Executive and Non-Executive Director remuneration policy	The Company seeks to attract and retain high performance Directors and Executives with appropriate skills, qualifications and experience to add value to the Company and fulfil the roles and responsibilities required. Non-Executive Directors are paid fixed fees for their services. Fees paid are a composite fee (covering all Board and Committee responsibilities) and any contribution by Admedus to a fund for the purposes of superannuation benefits for a Director. No other retirement benefits schemes are in place with respect to Non-Executive Directors. Further details regarding the remuneration of Executive and Non-Executive Directors are set out on page 32 of the Remuneration Report within the Annual Report.
(8.3) Policy on hedging equity incentive schemes	Admedus has adopted a written Securities Trading Policy (**STP**) which is available on the Company's website. The STP addresses hedging unvested entitlements and prohibits restricted persons from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

Financial Report

Directors' Report

Your Directors present their report on Admedus Ltd ("the Company") and the consolidated entity (referred to hereafter as the Group) for the year ended 30 June 2015.

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;
- John Seaberg (appointed 10 October 2014); and
- Wayne Paterson (appointed 10 October 2014).

PRINCIPAL ACTIVITIES

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

- Sales and distribution within the infusion, surgery and cardiac hospital markets;
  This has recently been expanded with the successful launch of CardioCel®, the Group's lead regenerative tissue product, in key international markets.
- The ADAPT® Tissue Engineering Technology;
  This produces implantable tissue scaffolds for use in soft tissue repair such as the repair of congenital heart defects or repair of heart valves. The lead product in the regenerative tissue portfolio is CardioCel®.
- Admedus Bio-manufacturing;
  The Group manufacturing facility is now fully functional and producing CardioCel® for the international market.
- Immunotherapies;
  The Group is also developing immunotherapies that are led by Professor Ian Frazer and his team.

OPERATING RESULT

The operating result for the year:

	CONSOLIDATED	
	2015	2014
	$	$
Loss before Income Tax	**(23,871,337)**	(9,395,476)
Income Tax (Expense)/Benefit	**(2,928,633)**	1,187,761
Loss for the Year	**(26,799,970)**	(8,207,715)

DIVIDENDS

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

SHARE CAPITAL

1,845,399,035 Ordinary Shares and 125,980,068 Unlisted Options were on issue as at 30 June 2015.

OPERATING AND FINANCIAL REVIEW

Group Overview

The Company's Mission is to make a difference to patients' lives. We 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 Ltd is a specialist healthcare company focused on developing next generation technologies to expand its product range and grow its revenues via its existing medical sales and distribution business. The Company has global operations across research & development, clinical and product development and sales, marketing and distribution.

Over the past year the Group continued to commercialise its innovative tissue engineering technology for regenerative medicine and launching its lead bio-scaffold product CardioCel® globally. In addition, the Company continued to develop its portfolio of bio-scaffold products for use in surgical procedures.

Directors' Report continued

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 Simplex 2 (HSV-2) and Human Papillomavirus (HPV). The lead program has progressed into Phase II clinical studies targeting HSV-2, with its HPV program also progressing into clinical studies in people infected with the virus.

Review of Operations

The loss for the consolidated entity after providing for income tax amounted to $26,799,970, with a cash flow operating loss of $21.5M, up 238% from the previous year (2014: $10.6M). Key factors contributing to the current year's performance are discussed below:

Revenue for the Company over the period was $10.2M, an increase of 28% on the prior year, with additional other income for the Company of $1.2M from tax rebates and Government grants. 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, particular in the sales of CardioCel®.

The increase in expenditure for the period compared to corresponding period relates to the increase in activities across the Company with a need to build the infrastructure, sales teams and product promotion to grow continuous demand for its products, which the Company anticipates will relate directly to future sales growth. Admedus has been growing its sales teams and increasing its promotional activities for CardioCel® over the past year, as more cardiovascular surgeons and centres become familiar with the product and its benefits over alternative products and will aim to leverage this position to grow the Company in the coming 12 months and beyond.

As the demand for CardioCel® grows, Admedus invests more into its manufacturing of CardioCel® at its facility in Malaga, Western Australia (now called Admedus Biomanufacturing Pty Ltd) and on growing its sales and marketing teams for CardioCel® in the US and Europe. As a direct result, the Group's employment costs have increased significantly. Related administration costs, travel expenses and operational costs have increased in line with the Group's activities during the year. The R&D and consultancy costs have increased due to regulatory expenditures for CardioCel®, the building of the bio-scaffold product pipeline and the ongoing development of the therapeutic vaccine programs.

Property, plant and equipment balance decreased from $3.3M to $3.0M due to depreciation, which net off the increase from acquisitions. The intangibles have decreased from $9.9M to $8.8M due to amortisation of intellectual property held within Admedus Immunotherapies and Regenerative Medicine Divisions.

As at 30 June 2014, Admedus Ltd held 57.2% of Admedus Vaccines Pty Ltd. During the year the Company acquired additional shares in Admedus Vaccines Pty Ltd to increase this holding to 66.3% at 30 June 2015. In July 2015 the Company acquired additional shares to increase its holding in Admedus Vaccines Pty Ltd to 72.1%.

Financial Position

During the year the Company issued new shares to raise $28M and as at 30 June 2015 had $24M cash, compared to $19M a year earlier.

During the period, inventory levels remained in line with market demand and as anticipated with the ongoing launch of CardioCel® in the US, Europe and Asia. During the period the Company also maintained suitable inventory for the infusion product inventory.

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 and therefore 100% market penetration is rare. With CardioCel® now on the market in the US, Europe, Canada, Hong Kong and Singapore and in over 95 centres globally, the Company is making good progress in obtaining market penetration and product awareness. The Company continually monitors the market and feedback from cardiovascular surgeons as well as attending key industry events and conferences to manage any potential commercial risk.

Admedus has numerous ongoing R&D programmes in both its bio-scaffold and therapeutic vaccines areas to further develop the two key platform technologies within the Company. The development of additional bio-scaffold products highlights the quality of the platform technology, as well as reducing the commercial risk by having an increased number of products on the market.

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 R&D currently being undertaken by the Company.

Directors' Report continued

Clinical trial risk

The development of innovative products in the biomedical and healthcare industries has an element of risk associated with it. Admedus is working with Professor Ian Frazer to develop therapeutic vaccines with the lead program in a clinical study and the second program scheduled to enter clinical studies in the coming financial year. In addition, Admedus continues to develop products from its ADAPT® platform technology, albeit de-risked, as a result of the lead product CardioCel® being on market and actively used in patients. As a result of these ongoing activities there is an inherent risk associated with clinical studies and R&D and it is subject to many factors beyond the Company's control. The Company continuously monitors the progress of all of these studies and aims to manage these risks.

Competition

Admedus actively monitors its markets and the activities of potential competing products. As a Company, we feel it is highly likely that other companies and organisations may be trying to develop competing products. Admedus believes that its platform technologies and products have clear advantages over other technologies and products and continues to undertake R&D to further illustrate and explore these advantages and benefits.

Regardless of the diligent activities of the Admedus team, there is no assurance that the Group's competitors will not succeed in developing technologies that compete with the Admedus technologies.

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.

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 R&D activities and associated capital 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. Admedus prepares files and maintains patents in countries relevant to the use and manufacturing of products using our technologies.

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, R&D, 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.

Directors' Report continued

Outlook

The past 12 months have been very productive for Admedus and it has built a foundation for continued growth for the Company, while further de-risking its technologies.

Over the next 12 months the Company is looking forward to:

- Growing sales and additional CardioCel® country approvals and continuing international launch of the product with more centres and surgeons using the product as our sales team continues to promote the clear advantages of the product to both surgeon and patient. The Company will also be seeking to launch CardioCel® into other countries and markets, and where appropriate seek partnerships to help drive sales;
- Expanding the cardiovascular product pipeline to leverage off the existing CardioCel® product success and provide surgical teams and patients with a range of products required to repair and reconstruct cardiovascular defects;
- Expanding the ADAPT® tissue bio-scaffold applications into new therapeutic areas, such as dura mater to leverage the value in this platform technology and utilise the benefits of these bio-scaffolds for numerous surgical areas as already shown in the cardiovascular area;
- The interim results from the ongoing HSV-2 Phase II study and the final study results which will provide further understanding of the potential for the therapeutic vaccine technology, with interim results anticipated within the coming financial year; and
- The progression of the HPV therapeutic vaccine into initial clinical studies and its potential as a therapeutic in the treatment of HPV related cancers.

Admedus has the infrastructure and two platform technologies from which to continue to grow as a specialist healthcare company. The past 12 months has been very productive for Admedus as it builds the foundation for future growth through its established sales teams for CardioCel®, a growing pipeline of bio-scaffold products for use in cardiovascular surgery and its expanding pipeline in regenerative medicine products, not just for cardiovascular surgery, but for other surgical applications such as dura mater repairs. The Company has made important progress with its therapeutic vaccine programs and anticipates additional clinical data and studies in the coming year.

Business Strategies

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

- The continued uptake of CardioCel® into surgical centres internationally;
- Additional market approvals for CardioCel®;
- Expanding the CardioCel® product range for 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 HPV therapeutic vaccine into a Phase I study and the anticipated HSV-2 Phase II results.

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 Admedus Vaccines Pty Ltd to increase its interest to 66.3%. Admedus Vaccines Pty Ltd is a medical R&D business and operates the Immunotherapies Division of the consolidated entity. More recently the Company acquired an additional investment into Admedus Vaccines Pty Ltd to increase the shareholding to 72.1%.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 1 July 2015, the Group acquired additional shares in Admedus Vaccines Pty Ltd to increase the shareholding to 72.1%.

On 22 July 2015, the Group announced the issue of 13,500,000 unlisted $0.144 options expiring 21 July 2020 to employees under the ESOP.

On 3 August 2015, the Group announced the issue of 1,016,667 ordinary shares on exercise of 1,016,667 options exercisable at $0.06.

On 17 August 2015, the Group announced the issue of 143,196 shares each at an issue price of $0.077 to executives of Admedus Ltd for achieving the key performance indicators stipulated in their contracts in lieu of bonuses.

Also on 17 August, the Group announced the allotment of 604,166 ordinary shares to executives for achieving the key performance indicators stipulated in their contracts in lieu of bonuses totalling $36,250 on exercise of 604,166 options exercisable at $0.06.

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.

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 25 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: Triton Minerals Ltd. Former directorships in last 3 years: Indo Mines Ltd; and Sirius Minerals Plc.	Chairman Member of audit and risk management 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 15 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	26,993,684	23,000,000

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
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: None. Former directorships in last 3 years: Fortescue Metals Group Ltd.	Member of audit and risk management 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 35 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	12,574,000	3,800,000
P. Turvey	Non-Executive Director appointed 18 May 2012. Qualification: Mr Turvey has spent the last 30 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; and Viralytics Limited. Former directorships in last 3 years: None.	Chair of audit and risk management committee Member of remuneration committee	3,172,039	833,334

INFORMATION ON DIRECTORS

J. Seaberg	Non-Executive Director appointed 10 October 2014. Qualification: Mr Seaberg has significant experience in cardiovascular products and markets. He was Founder, Chairman and CEO of NeoChord Inc, a mitral valve repair technology from its inception in 2007 to 2014. Previously he was a senior executive with Guidant Corp (acquired by Boston Scientific) where he oversaw sales and marketing activities in its cardiac rhythm management and cardiac surgery divisions. He also served as Chairman of the Board of a bovine tissue company, Synovis Inc until its sale to Baxter International in 2012. Other current directorships: None. Former directorships in last 3 years: None.	Member of audit and risk management committee Member of remuneration committee	Nil	Nil
W. Paterson	Non-Executive Director appointed 10 October 2014. Qualification: Mr Paterson has spent the last 25 years involved as an executive in the global biotechnology industry. Previously he was a senior executive with Merck Serono and Roche Pharmaceuticals. Other current directorships: Cepheid (NASDAQ CPHD). Former directorships in last 3 years: None.	Member of audit and risk management committee Member of remuneration committee	Nil	Nil

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 2015, 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	6	6	4	4	2	2
Lee Rodne	6	6	*	*	*	*
Graeme Rowley	2	6	1	4	1	2
Michael Bennett	6	6	*	*	*	*
Peter Turvey	6	6	4	4	1	1
John Seaberg	5	5	3	3	1	1
Wayne Paterson	5	5	3	3	1	1

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.

Directors' Report continued

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
- Michael Bennett — Executive Director
- Peter Turvey — Non-Executive Director
- John Seaberg — Non-Executive Director
- Wayne Paterson — Non-Executive Director

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

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, Graeme Rowley, Peter Turvey, John Seaberg and Wayne Paterson.

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 Remuneration Committee and approved 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. 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; and
- 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 $700,000 per annum and was approved by shareholders at the 2014 Annual General Meeting.

No retirement benefits are provided other than compulsory superannuation.

REMUNERATION REPORT (continued)

Executive Directors

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

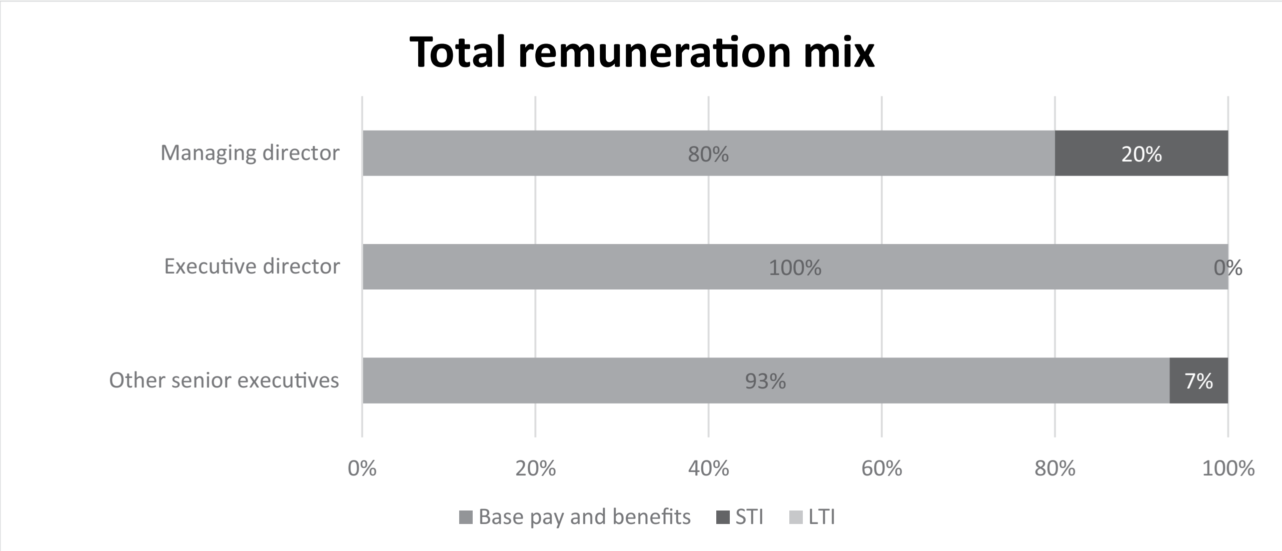
- primary benefits – fees via base service agreements; and
- equity – share options under the Admedus Share Option Incentive Plan (as approved by shareholders at the Annual General Meeting on 20 November 2012).

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.

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 F 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 2014 ANNUAL GENERAL MEETING

The Company received more than 90% of "yes" votes on its remuneration report for the 2014 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;

REMUNERATION REPORT (continued)

- 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.

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
2015	**Directors fees $**	**Consulting fees $**	**Salary $**	**Bonus $**	**Super-annuation $**	**Equity shares/options $**	**$**	**%**	**%**
Non-Executive Director									
C. Catlow	100,000	-	-	-	10,000	-	110,000	-	-
G. Rowley	70,000	-	-	-	7,000	-	77,000	-	-
P. Turvey	70,000	-	-	-	7,000	-	77,000	-	-
J. Seaberg[2]	57,750	-	-	-	-	-	57,750	-	-
W, Paterson[2]	57,750	-	-	-	-	-	57,750	-	-
Executive Directors									
L. Rodne	-	-	400,209	100,000[3]	50,021	-	550,230	-	20
M. Bennett	-	240,000	-	-	24,000	-	264,000	-	-
Total directors compensation (Group)	355,500	240,000	400,209	100,000	98,021	-	1,193,730		
Key Management Personnel									
S. Mann	-	-	205,382	-	20,538	40	225,960	-	-
J. Chick	-	-	286,518	36,000[4]	32,252	40	354,810	-	15
Total key management personnel compensation (Group)	-	-	491,900	36,000	52,790	80	580,770		
TOTAL	**355,500**	**240,000**	**892,109**	**136,000**	**150,811**	**80**	**1,774,500**		
2014									
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**		

(1) There are no termination or retirement benefits for Non-Executive Directors (other than statutory superannuation).
(2) J. Seaberg and W. Paterson were appointed as Non-Executive Directors on 10 October 2014.
(3) L. Rodne achieved all performance milestones to receive bonus. No bonuses were forfeited or carried forward
(4) J Chick achieved all performance milestones to receive bonus. No bonuses were forfeited or carried forward.

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 $400,000 for the year ended 30 June 2015, to be reviewed annually;
- Superannuation of 10% is payable under the agreement;
- The board may, at its discretion, elect to provide annual bonus up to an amount equal to 100% of the base salary; and
- 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 2015, to be reviewed annually;
- Superannuation of 10% is payable under the agreement;
- No performance based benefits payable under the agreement; and
- 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 5 November 2014 employees received 4,100,000 options as a sign-on bonus under the ESOP.

On 30 June 2015 the Company issued 18,850,000 options to executives and employees under the ESOP.

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

(2014: 333,333).

During the period 2,000,000 of the 22,950,000 ESOP options were issued to key management personnel (2014: nil).

Set out below are summaries of options granted by Admedus Ltd 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	2,466,667	-	-	(333,333)	2,133,334	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
30/6/2015	30/6/2020	0.117	-	2,000,000	-	-	2,000,000	80
Total			**67,766,667**	**2,000,000**	**-**	**(333,333)**	**69,433,334**	**841,726**

REMUNERATION REPORT (continued)

Option holdings
The number of options over ordinary shares in the Company held during the financial year by each director of Admedus Ltd, 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
2015									
Directors of Admedus Ltd									
C. Catlow	16,900,000	-	-	-	-	-	16,900,000	600,000	16,300,000
L. Rodne	23,000,000	-	-	-	-	-	23,000,000	2,533,334	20,466,666
G Rowley	8,500,000	-	-	-	-	-	8,500,000	333,334	8,166,666
M. Bennett	3,800,000	-	-	-	-	-	3,800,000	866,667	2,933,333
P. Turvey	1,166,667	-	-	-	-	(333,333)	833,334	333,334	500,000
J.Seaberg	-	-	-	-	-	-	-	-	-
W. Paterson	-	-	-	-	-	-	-	-	-
Other key management personnel of the group									
S. Mann	3,400,000	1,000,000	-	-	-	-	4,400,000	1,333,334	3,066,666
J. Chick	9,000,000	1,000,000	-	-	-	-	10,000,000	2,333,334	7,666,666
2014									
Directors of Admedus Ltd									
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

Fair Value of Options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2015 was 4.35 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 2015 included:

Tranche A

(a) options issued under the ESOP are granted for no consideration and vest based on holders still being Directors or key management personnel of Admedus Ltd over a three year period. Vested options are exercisable for a period up to expiry date.
(b) *exercise price:* $0.117
(c) *grant date:* 30 June 2015
(d) *expiry date:* 30 June 2020
(e) *share price at grant date:* $0.07
(f) *expected price volatility of the Company's shares:* 90%
(g) *risk-free interest rate:* 2.32%

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.

REMUNERATION REPORT (continued)

F Additional information

The earnings of the consolidated entity for the five years to 30 June 2015 are summarised below:

	2015 $	2014 $	2013 $	2012 $	2011 $
Sales revenue	10,224,427	7,940,622	7,415,188	6,460,516	6,772,776
EBITDA	(21,835,587)	(8,559,638)	(2,750,544)	(10,082,174)	(1,144,759)
EBIT	(23,852,595)	(9,846,302)	(3,023,324)	(10,357,773)	(1,958,526)
Profit/(Loss) after tax	(26,799,970)	(9,048,843)	(2,418,497)	(10,222,135)	(1,953,648)

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

	2015 $	2014 $	2013 $	2012 $	2011 $
Share price at financial year end ($A)	0.070	0.135	0.049	0.018	0.081
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(1.648)	(0.622)	(0.208)	(1.507)	(0.990)

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. There were no shares granted during the reporting or comparative 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
2015				
Directors of Admedus Ltd				
C. Catlow	17,807,411	-	-	17,807,411
L. Rodne	26,279,398	-	714,286	26,993,684
G Rowley	20,059,215	-	-	20,059,215
M. Bennett	12,494,000	-	80,000	12,574,000
P. Turvey	2,442,202	333,333	396,504	3,172,039
J. Seaberg	-	-	-	-
W. Paterson	-	-	-	-
Other key management personnel of the group				
S. Mann	-	-	-	-
J. Chick	4,100,000	-	585,713	4,685,713
2014				
Directors of Admedus Ltd				
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

REMUNERATION REPORT (continued)

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

SHARES UNDER OPTION

Unissued ordinary shares of Admedus Ltd 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
12 Aug 2011	10 Jul 2016	6 cents	3,666,667	4.06 cents
22 Aug 2011	10 Jul 2016	6 cents	51,180,000	0.86 cents
18 May 2012	18 May 2017	6 cents	2,133,334	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	15,050,067	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
5 November 2014	5 November 2019	21 cents	4,100,000	7.01 cents
30 June 2015	30 June 2020	11.7 cents	18,850,000	4.35 cents
Total			**125,9880,068**	

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:

4,975,000 unlisted options lapsed during the financial year (2014: 0).

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:

	2015	2014
	$	$
Non-audit Services		
Taxation services		
Related practices of BDO:		
Corporate finance services	**8,058**	12,728

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.

CHRISTOPHER CATLOW

Chairman
Perth, Western Australia

Dated 27 August 2015

Declaration of Independence by Dean Just to the Directors of Admedus Ltd

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF ADMEDUS LTD

As lead auditor of Admedus Ltd for the year ended 30 June 2015, 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.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 27 August 2015

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 30 JUNE 2015

	Note	CONSOLIDATED 2015 $	2014 $
Revenue from continuing operations	5	**10,224,427**	7,940,622
Cost of sales		**(7,166,322)**	(4,842,253)
Gross profit		**3,058,105**	3,098,369
Other income	5	**1,172,785**	2,624,054
Gain on acquisition		**-**	2,684,300
Employee benefits	6	**(12,124,703)**	(7,340,049)
Consultancy and legal fees	6	**(2,869,674)**	(1,541,674)
Travel and conference expenses		**(3,402,433)**	(1,963,793)
Research and development costs	6	**(2,545,522)**	(1,885,205)
Share based payments	27	**(1,054,649)**	(446,674)
Asset write-downs	6	**(203,961)**	(145,482)
Depreciation and amortisation expense	6	**(1,793,983)**	(1,463,027)
Financing costs		**(72,225)**	(62,379)
Other expense		**(4,035,077)**	(2,953,916)
Loss before income tax from continuing operations		**(23,871,337)**	(9,395,476)
Income tax (expense)/benefit	7	**(2,928,633)**	1,187,761
Loss after income tax for the year		**(26,799,970)**	(8,207,715)
Total loss is attributable to:			
Equity holders of Admedus Ltd		**(25,253,842)**	(6,616,498)
Non-controlling interest	20	**(1,546,128)**	(1,591,217)
		(26,799,970)	(8,207,715)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		**Cents**	Cents
Basic loss per share	22(b)	**(1.648)**	(0.552)
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 2015

	Note	CONSOLIDATED 2015 $	2014 $
Loss for the year		**(26,799,970)**	(8,207,715)
Other comprehensive income			
Total comprehensive loss		**(26,799,970)**	(8,207,715)
Total comprehensive loss is attributable to:			
Equity holders of Admedus Ltd		**(25,253,842)**	(6,616,498)
Non-controlling interest	20	**(1,546,128)**	(1,591,217)
		(26,799,970)	(8,207,715)

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 2015

	Note	CONSOLIDATED 2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	23	**24,025,859**	19,582,972
Trade and other receivables	8	**2,459,352**	1,639,917
Inventories	9	**3,022,405**	2,952,245
Total Current Assets		**29,507,616**	24,175,134
Non-Current Assets			
Property, plant & equipment	10	**2,957,922**	3,297,854
Intangibles	11	**8,794,928**	9,947,161
Deferred tax asset	12	**-**	2,341,224
Total Non-Current Assets		**11,752,850**	15,586,239
TOTAL ASSETS		**41,260,466**	39,761,373
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**1,316,645**	1,448,622
Provisions	14	**924,424**	683,538
Income tax payable	15	**-**	7,338
Total Current Liabilities		**2,241,069**	2,139,498
Non-Current Liabilities			
Deferred tax liability	12	**-**	-
Provisions	16	**460,915**	455,000
Total Non-Current Liabilities		**460,915**	455,000
TOTAL LIABILITIES		**2,701,984**	2,594,498
NET ASSETS		**38,558,482**	37,166,875
EQUITY			
Contributed equity	18	**80,738,568**	53,492,224
Reserves	19	**(8,646)**	533,415
Accumulated losses		**(44,503,473)**	(19,249,631)
Capital and reserves attributable to equity holders of Admedus		**36,226,448**	34,776,008
Non-controlling interest	20	**2,332,034**	2,390,867
TOTAL EQUITY		**38,558,482**	37,166,875

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 2015

	Share Capital $	Share-based payments reserve $	Other Reserves $	Foreign currency translation reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2013	**25,035,391**	**845,442**	**(537,094)**	**-**	**(12,633,133)**	**12,710,606**	**3,760,477**	**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	(1,514,010)	-	-	-	-	(1,514,010)	-	(1,514,010)
Recognise tax effect on capital raising costs	288,192	-	-	-	-	288,192	-	288,192
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**	**(758,701)**	**-**	**(19,249,631)**	**34,776,008**	**2,390,867**	**37,166,875**
Loss for the year	-	-	-	-	(25,253,842)	(25,253,842)	(1,546,128)	(26,799,970)
Total comprehensive loss	-	-	-	-	(25,253,842)	(25,253,842)	(1,546,128)	(26,799,970)
Transactions with non-controlling interest	-	-	(1,487,294)	-	-	(1,487,294)	1,487,294	-
Transactions with owners in their capacity as owners								
Shares issued during the period	28,149,234	-	-	-	-	28,149,234	-	28,149,234
Options issued during the period	-	1,024,648	-	-	-	1,024,648	-	1,024,648
Capital raising costs	(1,648,743)	-	-	-	-	(1,648,743)	-	(1,648,743)
Recognise tax effect on capital raising costs	587,409	-	-	-	-	587,409	-	587,409
Foreign currency - subsidiaries	-	-	-	(79,415)	-	(79,415)	-	(79,415)
Shares issued in lieu of contractor fees	30,000	-	-	-	-	30,000	-	30,000
Exercise of options	128,444	-	-	-	-	128,444	-	128,444
Balance at 30 June 2015	**80,738,568**	**2,316,764**	**(2,245,995)**	**(79,415)**	**(44,503,473)**	**36,226,448**	**2,332,034**	**38,558,482**

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 2015

	Note	CONSOLIDATED	
		2015	2014
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**9,436,178**	7,829,769
Payment to suppliers		**(32,123,910)**	(21,097,165)
Income taxes paid		**-**	(22,601)
R&D tax refund		**1,024,795**	702,529
Grant Income		**147,990**	1,920,052
Interest paid		**(72,225)**	(17,462)
Interest received		**90,968**	40,527
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23(e)	**(21,496,204)**	(10,644,351)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition of subsidiaries	4	**-**	97,093
Payments for property, plant & equipment		**(433,631)**	(264,536)
Payments for intangible assets		**(91,213)**	(103,649)
Additional shares acquired in subsidiary		**(165,000)**	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(689,844)**	(271,092)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		**28,277,678**	29,567,201
Share issue transaction costs		**(1,648,743)**	(1,514,209)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**26,628,935**	28,052,992
NET INCREASE IN CASH HELD		**4,442,887**	17,137,549
CASH AT BEGINNING OF THE YEAR		**19,582,972**	2,445,423
CASH AT END OF THE YEAR	23(a)	**24,025,859**	19,582,972

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

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.

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 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-3 from 1 July 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.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The consolidated entity has applied AASB 2013-3 from 1 July 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.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the 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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Admedus Ltd ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Admedus Ltd 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.

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 Ltd (the legal parent) acquired Admedus Investments Pty Ltd group (being Admedus Investments Pty Ltd and its controlled entities Admedus (Australia) Pty Ltd and Admedus (NZ) Ltd) (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 Ltd have effectively acquired Admedus Ltd. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Admedus Investments Pty Ltd had acquired Admedus Ltd 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 Ltd) 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 Ltd) immediately prior to the business combination.
- In the separate financial statements of the legal parent (Admedus Ltd), the investment in legal subsidiary (Admedus Investments Pty Ltd) was accounted for at cost.

As a consequence:

- An exercise is performed to fair value the assets and liabilities of the legal acquirer, Admedus Ltd;
- The cost of the investment held by the legal parent (Admedus Ltd) in the legal subsidiary (Admedus Investments Pty Ltd) is reversed on consolidation and the cost of reverse acquisition is eliminated on consolidation against the consolidated equity and reserves of Admedus Investments Pty Ltd 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 Ltd 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 Ltd) but are a continuation of the financial statements of the deemed acquirer (Admedus Investments Pty Ltd) under the reverse acquisition rules.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Ltd'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.

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated entity previously accounted for refundable R&D tax incentives as an income tax benefit. The consolidated entity has determined that these incentives are more akin to government grants because they are not conditional upon earning taxable income. The consolidated entity has therefore made a voluntary change in accounting policy during the reporting period. Refundable tax incentives are now accounted for as Australian Accounting Standards Technical Interpretation 3 Government Grants under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, because the directors consider this policy to provide more relevant information to meet the economic decision-making needs of users, and to make the financial statements more reliable.

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 Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime from 1 July 2013. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognizes the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 weighted average cost formula. 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.

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.

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Leasehold improvements	3-15 years
Plant and equipment	3-7 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.

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 up to 17 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 up to 17 years.

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 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 only has a defined contribution section within its plan. 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.

Share-based payments

Equity-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.

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 Ltd, 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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2015. 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 2015 – 1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

This standard is applicable to annual reporting periods beginning on or after 1 January 2016. Clarifies for AASB 119 Employee Benefits that high quality corporate bonds or national government bonds used to determine the discount rate for long service leave and defined benefit liabilities must be denominated in the same currency as the benefits that will be paid to the employee. The consolidated entity will adopt this standard from 1 July 2016, but the impact of its adoption has yet to be assessed by the consolidated entity.

AASB 2015 – 2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101

This standard is applicable to annual reporting periods beginning on or after 1 January 2016. This standard introduces amendments that only affect presentation and disclosures only. Therefore on first time adoption of these amendments, comparatives will need to be restated in line with presentation and note ordering. The consolidated entity will adopt this standard from 1 July 2016, but the impact of its adoption has yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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.

3. 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:

3. FINANCIAL RISK MANAGEMENT (continued)

	CONSOLIDATED	
	2015	2014
	$	$
Financial assets		
Cash and cash equivalents	**24,025,859**	19,582,972
Trade and other receivables	**2,459,352**	1,639,917
	26,485,211	21,222,889
Financial liabilities		
Trade and other payables	**1,316,645**	1,448,622
	1,316,645	1,448,622
Net financial assets	**25,168,566**	19,774,267

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:

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 2015 Consolidated			
Financial assets			
Cash and cash equivalents	23	0.3%	24,025,859
30 June 2014 Consolidated			
Financial assets			
Cash and cash equivalents	23	0.3%	19,582,972

Sensitivity

At 30 June 2015, 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 $36,039 lower/$48,052 higher (2014 changes of 0.15%/0.2%: $29,374 lower/ $39,166 higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

(a) 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 Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Market Risk

For some receivables in Note 8 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	
	2015	2014
	$	$
Cash at bank and short-term bank deposits		
AA	**24,025,859**	19,582,972

(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 2015							
Non-derivatives							
Trade and other payables	**1,316,645**	-	-	-	-	**1,316,645**	**1,316,645**
Non-interest bearing	-	-	-	-	-	-	-
Total non-derivatives	**1,316,645**	-	-	-	-	**1,316,645**	**1,316,645**
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

(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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

4. BUSINESS COMBINATIONS

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 Pty Ltd 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 from the acquisition date of 31 December 2013 through to 30 June 2014.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

5. REVENUES

	CONSOLIDATED	
	2015	2014
	$	$
Revenue from continuing operations	**10,133,460**	7,900,095
Interest revenue	**90,967**	40,527
Total revenue from continuing operations	**10,224,427**	7,940,622
Breakdown of Other income		
Grant income	**147,990**	1,920,052
Research and development tax incentive	**1,024,795**	702,529
Sundry income	**-**	1,473
Total other revenue	**1,172,785**	2,624,054

6. EXPENSES

	Note	CONSOLIDATED	
		2015	2014
		$	$
Loss before income tax includes the following specific expenses:			
Consultancy costs		**2,869,674**	1,541,674
Depreciation	10	**773,563**	227,583
Amortisation	11	**1,243,445**	1,235,444
Total depreciation and amortisation expense (a)		**2,017,008**	1,463,027
Less depreciation and amortisation expense recognised in cost of sales		**(223,025)**	-
Depreciation and amortisation expense recognised below gross profit		**1,793,983**	1,463,027
Research and development costs		**2,545,522**	1,885,205
Write-down of inventory	9 (a)	**186,990**	141,410
Bad debt expense		**16,971**	4,072
Total Asset write-down		**203,961**	145,482
Employee benefits expense (a)			
Wages and salaries		**12,607,906**	6,898,564
Leave provisions		**360,496**	441,485
Total employee benefits expense		**12,968,402**	7,340,049
Less employee benefits expense recognised in cost of sales		**(843,699)**	-
Employee benefits expense recognised below gross profit		**12,124,703**	7,340,049

7. INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2015	2014
	$	$
(a) Income tax expense/(benefit)		
Current tax	**(59,949)**	-
Deferred tax – origination and reversal of temporary differences	**496,245**	(1,194,706)
Deferred tax – reversal of prior period temporary differences (c)	**2,492,337**	6,945
	2,928,633	(1,187,761)
Deferred tax included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets (Note 12)	**2,928,633**	(1,187,761)
Deferred tax – origination and reversal of temporary differences	**2,928,633**	(1,187,761)
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	**(23,871,337)**	(9,395,476)
Tax at the Australian tax rate of 30% (2014: 30%)	**(7,161,401)**	(2,818,643)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Gain on acquisition	**-**	(805,290)
Share based payments	**316,395**	134,002
Legal expenses	**423,691**	21,374
R&D Tax Incentive eligible expenditure	**735,801**	925,770
R&D Tax Incentive income	**(307,439)**	(210,759)
Amortisation	**373,034**	370,633
Current and past year share issue expenses	**(216,163)**	(128,362)
Sundry items – net non- deductible/(non-assessable)	**(156,739)**	212,707
	(5,992,821)	(2,298,567)
Deferred tax – current year benefits not recognised	**6,429,117**	1,103,861
Deferred tax – reversal of prior period temporary differences (c)	**2,492,337**	6,945
Income tax expense/(benefit)	**2,928,633**	(1,187,761)

(c) Tax consolidation legislation

As disclosed in Note 1, during the year ended 30 June 2015 Admedus Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation effective from 1 July 2013. Deferred tax balances as at 30 June 2015 have therefore been adjusted and as a result, the previously recognised deferred tax asset has been expensed in the current financial year. This is due to the wholly owned Australian controlled entity losses now available, as a result of the consolidation, to offset future wholly owned Australian controlled entity profits.

(d) Amounts charged/(credited) directly to equity

Deferred tax assets (Note 12)	**587,409**	288,192

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2015	2014
	$	$
Current		
Trade receivables	**1,819,883**	1,139,572
	1,819,883	1,139,572
Other receivables and prepayments	**639,469**	500,345
	2,459,352	1,639,917

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 2014.

Refer to Note 3 for information on the risk management policy of the Group.

(a) Past due but not impaired

As at 30 June 2015, trade receivables of $135,719 (2014: $46,226) were past due but not impaired. These relate to customers for whom there is no recent history of default. A significant portion of these trade receivables past due but not impaired have been subsequently paid post 30 June 2015. The ageing analysis of these trade receivables is as follows:

	2015	2014
	$	$
Over 90 days	**135,719**	46,226

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.

9. INVENTORIES

	CONSOLIDATED	
	2015	2014
	$	$
Raw materials – at cost	**175,066**	181,494
Work in progress – at net realisable value	**174,699**	80,159
Finished goods – at net realisable value	**390,897**	-
Finished goods – at cost	**2,281,743**	2,690,592
	3,022,405	2,952,245

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2015 amounted to $186,990 (2014: $141,410).

10. PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED	
	2015	2014
	$	$
Plant & equipment		
Cost	**4,129,267**	3,759,555
Accumulated depreciation	**(1,171,345)**	(461,701)
Net book amount	**2,957,922**	3,297,854

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

10. PROPERTY, PLANT & EQUIPMENT (continued)

	CONSOLIDATED 2015 $	2014 $
Reconciliation		
Opening net book amount	**3,297,854**	121,651
Additions	**433,631**	3,403,786
Disposals – Cost	**(63,919)**	-
Disposals – Accumulated depreciation	**63,919**	-
Asset write-down	**-**	-
Depreciation charge	**(773,563)**	(227,583)
Closing net book amount	**2,957,922**	3,297,854

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

11. INTANGIBLE ASSETS

	CONSOLIDATED 2015 $	2014 $
Patents	**367,283**	276,070
Intellectual property	**2,526,483**	2,775,863
Technology Licence	**4,311,870**	5,305,935
Goodwill	**1,589,293**	1,589,293
	8,794,929	9,947,161
Reconciliation - Patents		
Opening net book value	**276,070**	172,421
Additions - acquisitions	**91,213**	103,649
Closing net book value	**367,283**	276,070
Reconciliation – Intellectual property		
Opening net book value	**2,775,863**	3,017,242
Amortisation	**(249,380)**	(241,379)
Closing net book value	**2,526,483**	2,775,863
Reconciliation – Technology Licence		
Opening net book value	**5,305,935**	6,300,000
Amortisation	**(994,065)**	(994,065)
Closing net book value	**4,311,870**	5,305,935
Reconciliation – Goodwill		
Opening net book value	**1,589,293**	1,589,293
Closing net book value	**1,589,293**	1,589,293

The fair value of technology licence and goodwill from Admedus Vaccines Pty Ltd transaction were calculated on 30 June 2013. An impairment test was completed at 30 June 2015 and 30 June 2014 with no impairment calculated. The impairment test was performed on the basis of utilising the fair value less costs to sell valuation methodology.

FOR THE YEAR ENDED 30 JUNE 2015

12. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The composition and movement of deferred assets is as follows:

	Balance 1 July 13 $	Recognised in profit or loss $	Recognised in equity $	Balance 30 June 14 $	Recognised in profit or loss $	Recognised in equity $	Balance 30 June 15 $
Provisions	**99,066**	245,240	-	**344,306**	98,308	-	**442,614**
Accruals	**24,250**	(13,750)	-	**10,500**	120,846	-	**131,346**
Share issue costs through equity	**187,545**	-	288,192	**475,737**	-	587,409	**1,063,146**
Property, plant and equipment	**-**	(977,159)	-	**(977,159)**	342,199	-	**(634,960)**
Intangible assets	**(2,855,727)**	431,188	-	**(2,424,539)**	431,188	-	**(1,993,351)**
Tax losses carried forward	**5,617,630**	3,186,524	-	**8,804,154**	1,676,383	-	**10,480,537**
Sub-total	**3,072,764**	2,872,043	288,192	**6,232,999**	2,668,924	587,409	**9,489,332**
Unrecognised net deferred tax assets	**(2,207,493)**	(1,684,282)	-	**(3,891,775)**	(5,597,557)	-	**(9,489,332)**
Tax assets	**865,271**	1,187,761	288,192	**2,341,224**	(2,928,633)	587,409	**-**

Deferred tax assets are attributable to the following:

Consolidated	**Assets**		**Liabilities**		**Net**	
	2015 $	2014 $	**2015 $**	2014 $	**2015 $**	2014 $
Provisions	**442,614**	344,306	**-**	-	**442,614**	344,306
Accruals	**131,346**	10,500	**-**	-	**131,346**	10,500
Share issue costs through equity	**1,063,146**	475,737	**-**	-	**1,063,146**	475,737
Property, plant and equipment	**-**	-	**(634,960)**	(977,159)	**(634,960)**	(977,159)
Intangible assets	**-**	-	**(1,993,351)**	(2,424,539)	**(1,993,351)**	(2,424,539)
Tax losses carried forward	**10,480,537**	8,804,154	**-**	-	**10,480,537**	8,804,154
Sub-total	**12,117,643**	9,634,697	**(2,628,311)**	(3,401,698)	**9,489,332**	6,232,999
Set off of tax	**(2,628,311)**	(3,401,698)	**2,628,311**	3,401,698	**-**	-
Unrecognised net deferred tax assets	**(9,489,332)**	(3,891,775)	**-**	-	**(9,489,332)**	(3,891,775)
Tax assets	**-**	2,341,224	**-**	-	**-**	2,341,224

(a) Tax losses

Unused tax losses for which no deferred tax assets have been recognised		
Australian losses	**24,544,946**	22,565,635
Foreign losses	**8,338,671**	1,869,365
Sub-total	**32,883,617**	24,435,000
Potential tax benefit at 30%	**9,865,085**	7,330,500

All unused tax losses were incurred by Australian and foreign 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 in the relevant tax jurisdictions.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

13. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2015	2014
	$	$
Trade payables	**720,165**	866,482
Other payables and accruals	**596,480**	582,140
	1,316,645	1,448,622

Refer to Note 3 for information on the risk management policy of the Group.

At 30 June 2014, Admedus (Australia) Pty Ltd, a subsidiary of Admedus Ltd held a standby letter of credit of CHF 403,734 payable to Arcomed AG. During the current year the standby letter of credit was paid out.

14. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2015	2014
	$	$
Employee benefits (a)	**924,424**	683,538

(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.

15. CURRENT LIABILITIES – INCOME TAX

	CONSOLIDATED	
	2015	2014
	$	$
Provision for income tax	-	7,338

16. NON CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2015	2014
	$	$
Lease make good (a)	**460,915**	455,000

(a) Lease make good provision

The lease make good 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 2015

17. 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 2015 %	Equity Holding 2014 %	Cost to Company 2015 $	Cost to Company 2014 $
Accounting Parent Entity						
Admedus Investments Pty Ltd		Australia	**100**	100	**29,551,042**	29,551,042
Legal Parent Entity						
Admedus Ltd	Ordinary	Australia	**-**	-	**-**	-
Controlled Entities						
Admedus (NZ) Ltd	Ordinary	New Zealand	**100**	100	**1**	1
Admedus (Australia) Pty Ltd	Ordinary	Australia	**100**	100	**847,423**	847,423
Admedus Regen Pty Ltd	Ordinary	Australia	**88.9**	79.1	**11,406,556**	3,029,556
Admedus Corporation	Ordinary	USA	**100**	100	**104**	104
Admedus Vaccines Pty Ltd	Ordinary	Australia	**66.3**	57.2	**9,500,049**	6,500,049
Admedus GmbH	Ordinary	Switzerland	**100**	100	**23,151**	23,151
Admedus Biomanufacturing Pty Ltd	Ordinary	Australia	**100**	100	**1**	1
Admedus (Singapore) Pty Ltd	Ordinary	Singapore	**100**	100	**1**	1
					51,328,328	39,951,328

The proportion of ownership interest is equal to the proportion of voting power held. For acquisitions refer to Note 4.

18. CONTRIBUTED EQUITY

	SHARES 2015	SHARES 2014	$ 2015	$ 2014
(a) Share Capital				
Ordinary shares				
Fully paid	**1,845,399,036**	1,441,087,921	**80,738,568**	53,492,224

	Date	Notes	No. shares	Issue Price	$
(b) Movements in Ordinary Share Capital					
Details					
Balance	**30/6/13**		**1,035,171,181**		**25,035,391**
Executive bonuses portion paid in shares		(d)	367,347	0.049	18,000
Directors fees portion paid in shares		(e)	628,710	0.155	97,450
Rights issue		(f)	208,804,017	0.05	10,440,201
Share placement		(g)	83,000,000	0.10	8,300,000
Conversion of options		(h)	12,116,666	0.06	727,000
Share purchase plan		(i)	101,000,000	0.10	10,100,000
Recognise tax effect on capital raising costs			-		288,192
Transaction costs			-		(1,514,010)
Balance	**30/6/14**		**1,441,087,921**		**53,492,224**
Shares issued in lieu of consulting fees		(j)	200,937	0.1493	30,000

18. **CONTRIBUTED EQUITY (continued)**

Rights issue	(k)	230,631,912	0.07	16,144,234
Share placement	(l)	171,500,000	0.07	12,005,000
Conversion of options	(m)	1,978,266	0.065	128,444
Recognise tax effect on capital raising costs		-		587,409
Transaction costs				(1,648,743)
Balance	**30/6/15**	**1,845,399,036**		**80,738,568**

(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 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)

(e) 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 $0.155 (based on the 5 day VWAP).

(f) Share Rights Issue

A non-renounceable rights issue of shares was undertaken at an issue price of $0.05 per share.

(g) 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.

(h) Shares under option

Between 1 July and 30 June 2014, 12,116,666 unlisted options were exercised at $0.06 each. Information in relation to the current options issued, exercised or lapsed during the financial year is set out Note 19 (a).

(i) Share purchase plan

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

(j) Shares issued in lieu of consulting fees

In October 2014, a consultant elected to receive their fee as shares at an issue price of $0.1493 (based on the 10 day VWAP).

(k) Share Rights Issue

A non-renounceable rights issue of shares was undertaken at an issue price of $0.07 per share.

(l) Share placement

In March 2015, current shareholders and sophisticated investors were approached to make further investment in the Group at a $0.07 per share.

(m) Shares under option

Between 1 July and 30 June 2015, 1,703,333 unlisted options were exercised at $0.06 each, 249,933 unlisted options were exercised at $0.095 each and 25,000 unlisted options were exercised at $0.10 each. Information in relation to the current options issued, exercised or lapsed during the financial year is set out Note 19 (a).

(n) 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.

19. EQUITY – RESERVES

	CONSOLIDATED	
	2015	2014
	$	$
(a) Reserves		
Share based payments	**2,316,764**	1,292,116
Other reserve	**(2,245,995)**	(758,701)
Foreign currency translation reserve	**(79,415)**	-
	(8,646)	533,415

Reconciliation - Share based payment	Date	No. options	Valuation	$
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
Unlisted options exercised		(1,978,266)	0.065	
Unlisted options cancelled		(4,975,000)	0.10	
Unlisted options issued		4,100,000	0.21	14,695
Unlisted options issued		18,850,000	0.117	748
Share based payment				1,009,205
Balance	**30/6/15**	125,980,068		2,316,764

	CONSOLIDATED	
Reconciliation – Other reserve	**2015**	2014
	$	$
Opening balances	**(758,701)**	(537,094)
Gain in Non-Controlling Interests	**(1,487,294)**	(221,607)
Closing balance	**(2,245,995)**	(758,701)

	CONSOLIDATED	
Reconciliation – Foreign currency translation reserve	**2015**	2014
	$	$
Opening balances	**-**	-
Foreign exchange on subsidiaries	**(79,415)**	-
Closing balance	**(79,415)**	-

19. EQUITY – RESERVES (continued)

(b) Nature and purpose

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

The other reserve reflects the additional consideration paid by the Company, over and above the historical fair value of the subsidiary assessed at the time of gaining control, to acquire a portion of the remaining non-controlling interests.

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

20. NON-CONTROLLING INTEREST

	CONSOLIDATED	
	2015	2014
	$	$
Interest in:		
Share Capital	**19,652,479**	21,635,590
Reserves	**2,245,995**	758,701
Accumulated losses	**(19,566,440)**	(20,003,424)
	2,332,034	2,390,867

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Admedus Vaccines Pty Ltd		Admedus Regen Pty Ltd	
	2015	2014	**2015**	2014
	$	$	**$**	$
Current assets	**310,615**	313,846	**4,448,034**	1,122,062
Current liabilities	**170,690**	333,362	**105,105**	424,406
Current net assets	**139,925**	(19,516)	**4,342,928**	697,656
Non-current assets	**5,909,004**	2,670,898	**2,999,117**	379,775
Non-current liabilities	**-**	-	**-**	(2,560,719)
Non-current net assets	**5,909,004**	2,670,898	**2,999,117**	(2,180,944)
Net assets	**6,048,929**	2,651,383	**7,342,045**	(1,483,288)
Accumulated non-controlling interests	**1,505,374**	2,265,284	**826,660**	125,583
Revenue	**-**	-	**1,405,981**	353,070
Loss for the year/Total comprehensive loss	**(3,826,114)**	(2,916,479)	**(2,162,530)**	(1,883,094)
Loss allocated to non-controlling interests	**(1,235,931)**	(1,248,591)	**(310,197)**	(342,626)
Cash flows from operating activities	**(3,088,104)**	(1,618,681)	**(1,832,233)**	(1,708,791)
Cash flows from investing activities	**(9,313)**	-	**(2,342,484)**	1,836,593
Cash flows from financing activities	**3,000,000**	1,600,000	**8,212,000**	-
Net increase/(decrease) in cash and cash equivalents	**(97,417)**	(18,681)	**4,037,283**	127,803

20. NON-CONTROLLING INTEREST (continued)

(a) Transactions with non-controlling interests

On 18 May 2015, the consolidated entity acquired an additional 2.42% of the issued capital of Admedus Regen Pty Ltd for $4,170,000. Immediately prior to the purchase, the carrying amount of the existing 13.55% non-controlling interest was $501,150. The consolidated entity recognised a decrease in non-controlling interests of $89,425 and a decrease in equity attributable to the owners of Admedus Ltd of $374,696.

On 12 November 2014, the consolidated entity acquired an additional 7.32% of the issued capital of Admedus Regen Pty Ltd for $4,042,000. Immediately prior to the purchase, the carrying amount of the existing 20.87% non-controlling interest was ($94,456). The consolidated entity recognised a decrease in non-controlling interests of ($33,129) and a decrease in equity attributable to the owners of Admedus Ltd of $580,714.

On 11 July 2014, the consolidated entity acquired an additional 9.09% of the issued capital of Admedus Vaccines Pty Ltd for $3,000,000. Immediately prior to the purchase, the carrying amount of the existing 42.85% non-controlling interest was $2,265,284. The consolidated entity recognised a decrease in non-controlling interests of $480,782 and a decrease in equity attributable to the owners of Admedus Ltd of $531,884.

During the 2014 year the consolidated entity acquired an additional 7.01% of the issued capital of Admedus Vaccines Pty Ltd for $1,600,000. Immediately prior to the purchase, the carrying amount of the existing 49.86% non-controlling interest was $1,321,980. The consolidated entity recognised a decrease in non-controlling interests of $1,378,393 and a decrease in equity attributable to the owners of Admedus Ltd of $221,607.

The overall effect of these transactions on the equity attributable to the owners of Admedus Ltd during 2015 and 2014 is summarised as follows:

	CONSOLIDATED	
	2015 **$**	2014 $
Carrying amount of non-controlling interest acquired	**9,724,706**	1,378,393
Consideration paid to non-controlling interest	**(11,212,000)**	(1,600,000)
Excess of consideration paid recognised in other reserves within equity	**(1,487,294)**	(221,607)

21. 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	
	2015 **$**	2014 $
(a) Audit Services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**89,415**	72,672
(b) Non-audit Services		
Corporate Finance services		
Related entities to BDO Audit (WA) Pty Ltd	**8,058**	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.

22. EARNINGS PER SHARE

	CONSOLIDATED	
	2015 Number	2014 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	**1,532,810,695**	1,198,162,803
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	**(25,253,842)**	(6,616,498)
Basic earnings/(loss) per share	**(1.648)**	(0.552)
Diluted earnings/(loss) per share	**n/a**	n/a

(c) Information concerning classification of securities

Options:
No listed or unlisted options of Admedus Ltd 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 27 (a).

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

	CONSOLIDATED	
	2015 $	2014 $
(a) Reconciliation to Cash at the End of the Year		
Cash at bank and in hand	**24,025,859**	19,582,972
Total cash at the end of the year	**24,025,859**	19,582,972

(b) Cash at Bank and On Hand

These are interest bearing accounts held at bank with average interest rates of 0.15% (2014: 0.15%).

(c) Deposits At Call

The deposits bear floating interest rates at 0% pa. (2014: 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

	2015	2014
Loss for the year	**(26,799,970)**	(8,207,715)
Depreciation/Amortisation expense	**2,017,008**	1,463,028
Inventory write-down	**186,990**	141,410
Bad debts	**16,971**	4,072
Non-cash share expense – share based payments	**1,054,648**	562,124
Foreign exchange differences	**(79,414)**	-
Gain on acquisition	**-**	(2,684,300)
Additional shares acquired in subsidiary (Finance activities)	**165,000**	-

23. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES (continued)

Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
Increase in receivables	**(836,406)**	(86,789)
Increase in inventories	**(70,160)**	(1,004,588)
(Increase)/decrease in net tax asset	**(7,338)**	(22,800)
Increase in deferred tax	**2,928,632**	(1,187,562)
(Decrease)/increase in creditors	**(432,661)**	(52,393)
Increase in other provisions	**360,496**	431,162
Net cash outflow from operating activities	**(21,496,204)**	(10,644,351)

(f) Non-cash investing and financing activities

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

24. COMMITMENTS

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

	CONSOLIDATED	
	2015	2014
	$	$
(a) Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	501,436	598,488
Later than one year but no later than five years	785,623	1,407,180
Later than five years	-	-
	1,287,059	2,005,668

The Company leases office space in Brisbane under an operating lease that expires in October 2016.
Admedus Regen Pty Ltd leases office space in Melbourne under an operating lease that expiring in May 2018 and leases office space in Sydney under an operating lease that expires in April 2016.
Admedus Biomanufacturing Pty Ltd leases office and laboratory space under operating leases that expiring in February 2019 and photocopiers expiring December 2016.
Admedus Vaccines Pty Ltd leases office and lab space under an operating lease that expires 6 January 2016.

25. 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;
- Bio implant operations – inclusive of sales, distribution and manufacturing;
- Regenerative medicine R&D - ADAPT technology; and
- Immunotherapies R&D.

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.

25. SEGMENT REPORTING (continued)

Segment information

	Medical products and devices $	Bio Implant operations $	Regenerative medicine R&D $	Immunotherapies R&D $	Total $
2015					
Total segment revenue	**7,495,614**	**2,637,846**	**-**	**-**	**10,133,460**
Segment profit/(loss)	**(186,443)**	**(9,799,771)**	**(2,274,128)**	**(3,826,114)**	**(16,086,456)**
Segment assets	**5,132,976**	**6,051,349**	**7,575,214**	**6,226,329**	**24,985,868**
Segment liabilities	**874,466**	**903,685**	**105,105**	**170,690**	**2,053,946**
Other information					
Acquisition of non-current assets	**21,984**	**327,292**	**130,329**	**9,313**	**488,918**
Depreciation & amortisation	**12,540**	**703,031**	**286,850**	**995,662**	**1,998,084**
Asset write downs	**11,057**	**53,175**	**68,950**	**-**	**133,181**
Loss from equity accounting	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**-**
Impairment of intangibles	**-**	**-**	**-**	**-**	**-**
2014					
Total segment revenue	7,502,708	397,387	-	-	7,900,095
Segment profit/(loss)	(279,059)	(1,514,015)	(1,429,236)	(2,916,479)	(6,138,790)
Segment assets	4,591,898	4,279,511	3,946,464	7,200,353	20,018,226
Segment liabilities	883,085	339,150	768,670	317,806	2,308,711
Other information					
Acquisition of non-current assets	14,072	90,280	198,239	-	302,591
Depreciation	17,184	184,356	257,026	995,374	1,453,940
Asset write-down	141,941	-	-	-	141,941
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 2015 $	2014 $
Segment revenue	**10,133,460**	7,900,095
Interest revenue	**90,967**	40,527
Total revenue from continuing operations	**10,224,427**	7,940,622

25. 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	
	2015	2014
	$	$
Segment loss	**(16,086,456)**	(6,138,790)
Unallocated:		
Depreciation and amortisation	**(18,924)**	(9,088)
Asset write downs	**(70,780)**	-
Loss from equity accounting	**-**	-
Gain on equity accounted investment	**-**	-
Gain on acquisition	**-**	2,684,300
Share-based payments	**(1,054,649)**	(446,674)
Other corporate and administration (expenses)/benefits	**(6,640,528)**	(5,485,224)
Loss before income tax from continuing operations	**(23,871,337)**	(9,395,476)

(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 cash and cash equivalents, trade and other receivables, property, plant and equipment and intangible assets.

Segment liabilities consist primarily of trade and other creditors and provisions.

Reportable segment assets reconciled to total assets as follows:

	CONSOLIDATED	
	2015	2014
	$	$
Segment assets	**24,985,868**	20,018,226
Intersegment eliminations	**-**	-
Unallocated:		
Cash and cash equivalents	**15,918,432**	17,396,916
Trade and other receivables	**284,621**	112,002
Property, Plant & Equipment	**60,580**	49,381
Deferred tax asset	**-**	2,173,883
Intangibles	**10,965**	10,965
Total assets per the statement of financial position	**41,260,466**	39,761,373

Reportable segment liabilities reconciled to total liabilities as follows:

Segment liabilities	**2,053,946**	2,308,711
Intersegment eliminations	**-**	-
Unallocated:		
Trade and other payables	**506,856**	167,352
Income tax provision	**-**	70,358
Provisions	**141,182**	48,077
Total liabilities per the statement of financial position	**2,701,984**	2,594,498

26. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The parent entity within the Group is Admedus Ltd.

(b) Subsidiary

Interest in subsidiary is set out in Note 17.

(c) Key Management Personnel

Disclosures relating to Directors and specified executives are set out in the Remuneration Report.

(d) Transactions and Balances with Related Parties

No related party transactions were noted during the period.

27. 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 22,950,000 staff options over ordinary shares in the Company as at 30 June 2015 (2014: 15,000,000).

On 5 November 2014 employees received 4,100,000 options as a sign-on bonus under the ESOP (Tranche A).

On 30 June 2015 the Company issued 2,000,000 options to key management personnel and 16,850,000 to employees under the ESOP (Tranche B).

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

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
		2015						
22/10/2009	22/10/2014	0.10	5,000,000	-	(4,975,000)	(25,000)	-	200,000 [(a)]
12/8/2011	10/7/2016	0.06	3,916,667	-	-	(250,000)	3,666,667	300,440 [(a)]
22/8/2011	10/7/2016	0.06	52,300,000	-	-	(1,120,000)	51,180,000	460,960 [(a)]
18/5/2012	18/5/2017	0.06	2,466,667	-	-	(333,333)	2,133,334	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	-	-	(249,933)	15,050,067	175,323
16/12/2013	16/12/2018	0.27	9,000,000	-	-	-	9,000,000	161,981
28/3/2014	1/2/2019	0.245	2,000,000	-	-	-	2,000,000	16,386
21/5/2014	1/7/2018	0.17	3,000,000	-	-	-	3,000,000	63,968
21/5/2014	21/5/2019	0.17	15,000,000	-	-	-	15,000,000	39,565
5/11/2014	5/11/2019	0.21	-	4,100,000	-	-	4,100,000	14,695
30/6/2015	30/6/2020	0.117	-	18,850,000	-	-	18,850,000	748
Total			**109,983,334**	**22,950,000**	**(4,975,000)**	**(1,978,266)**	**125,980,068**	**1,532,672**
Weighted average exercise price			$0.105	$0.134	$0.100	$0.065	$0.111	

(a) Valuation of options was expensed in the 2010 to 2015 financial years

27. SHARE BASED PAYMENTS (Continued)

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 [(b)]
12/8/2011	10/7/2016	0.06	7,400,000	-	-	(3,483,333)	3,916,667	300,440 [(b)]
22/8/2011	10/7/2016	0.06	53,600,000	-	-	(1,300,000)	52,300,000	460,960 [(b)]
20/10/2011	20/10/2014	0.06	6,000,000	-	-	(6,000,000)	-	102,000 [(b)]
18/5/2012	18/5/2017	0.06	3,800,000	-	-	(1,333,333)	2,466,667	85,453 [(b)]
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	-	-	9,000,000	161,981
28/3/2014	1/2/2019	0.245	-	2,000,000	-	-	2,000,000	16,386
21/5/2014	1/7/2018	0.17	-	3,000,000	-	-	3,000,000	63,968
21/5/2014	21/5/2019	0.17	-	15,000,000	-	-	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	

(b) Valuation of options was expensed in the 2010 to 2015 financial years

(b) Expenses Arising from Share Based Payment Transactions

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

	CONSOLIDATED	
	2015 **$**	2014 $
Employee bonus shares	**-**	-
Options issued under employee option plan	**1,054,649**	446,674
Total expenses from share-bases transactions	**1,054,649**	446,674

(c) Fair Value of Options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2015 was 7.01 cents per option for Tranche A and 4.35 cents per option for Tranche B. 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 2015 included:

	Tranche A	**Tranche B**
Details:	All Tranches of options are granted for no consideration and vest based on holder still being employed by Admedus Ltd over a three year period. Vested options are exercisable for a period up to expiry date.	
Exercise price:	$0.21	$0.117
Grant date:	5 November 2014	30 June 2015
Expiry date:	5 November 2019	30 June 2020
Share price at grant date:	$0.115	$0.07
Expected price volatility of the company's shares:	90%	90%
Risk-free interest rate:	2.78%	2.32%
Fair value at grant date:	$0.0701	$0.0435

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

28. 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 - 2015	$	$	$	$
Assets				
Intellectual Property	**-**	**4,311,870**	**-**	**4,311,870**
Property, plant and equipment	**-**	**2,376,406**	**-**	**2,376,406**
Total assets	**-**	**6,688,276**	**-**	**6,688,276**
Liabilities				
Lease make good provision	**-**	**460,915**	**-**	**460,915**
Total liabilities	**-**	**460,915**	**-**	**460,915**

	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				
Lease make good provision	-	455,000	-	455,000
Total liabilities	-	455,000	-	455,000

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 Lease make good provision have been calculated by independent valuation specialists.

29. CONTINGENT LIABILITIES

On 12 November 2014 proceedings were issued against Admedus Ltd, its wholly owned subsidiary Admedus (Australia) Pty Ltd and its subsidiary Admedus Regen Pty Ltd.

The proceeding have been issued by Dr Geoffrey Lane, Dr Keith Woollard and their respective associated entities Palkingston Pty Ltd and KV Woollard Pty Ltd under sections 232 and 233 of the Corporations Act 2001 (Cth). The allegations relate to Admedus Regen Pty Ltd.

The proceedings allege that the affairs of Admedus Regen Pty Ltd are being conducted in a manner that is contrary to the interests of the members of Admedus Regen Pty Ltd as a whole and oppressive of the interests of Dr Geoffrey Lane, Dr Keith Woollard, Palkingston Pty Ltd and KV Woollard Pty Ltd.

The matter is still ongoing and the outcome at this stage is unknown and therefore an estimate of the potential contingency cannot reliably be determined.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 1 July 2015, the Group acquired additional shares in Admedus Vaccines Pty Ltd to increase the shareholding to 72.1%.

On 22 July 2015, the Group announced the issue of 13,500,000 unlisted $0.144 options expiring 21 July 2020 to employees under the ESOP.

On 3 August 2015, the Group announced the issue of 1,016,667 ordinary shares on exercise of 1,016,667 options exercisable at $0.06.

On 17 August 2015, the Group announced the issue of 143,196 shares each at an issue price of $0.077 to executives of Admedus Ltd for achieving the key performance indicators stipulated in their contracts in lieu of bonuses.

Also on 17 August, the Group announced the allotment of 604,166 ordinary shares to executives for achieving the key performance indicators stipulated in their contracts in lieu of bonuses totalling $36,250 on exercise of 604,166 options exercisable at $0.06.

31. DIVIDENDS

No dividends have been declared or paid during the period.

32. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Admedus Ltd, at 30 June 2015. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	THE COMPANY	
	2015	2014
	$	$
Current assets	**16,304,620**	17,508,915
Non-current assets	**19,647,533**	13,391,729
Total assets	**35,952,153**	30,900,644
Current liabilities	**1,816,430**	179,456
Non-current liabilities	**-**	35,972
Total liabilities	**1,816,430**	215,428
Contributed equity	**105,150,741**	78,494,056
Accumulated losses	**(73,807,752)**	(49,576,924)
Reserves	**2,792,734**	1,768,085
Total equity	**34,135,723**	30,685,217
Profit/(loss) for the year	**(24,230,828)**	(5,717,232)
Other comprehensive income/(loss) for the year	**-**	-
Total comprehensive income/(loss) for the year	**(24,230,828)**	(5,717,232)

Contingent liabilities of the parent entity

The contingent liabilities for the parent entity as at 30 June 2015 are detailed in Note 29.

Commitments of the parent entity

The commitments for the parent entity as at 30 June 2015 are detailed in Note 24.

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 2015 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 2015, 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:

CHRISTOPHER CATLOW
Chairman

Perth, Western Australia

Dated 27 August 2015

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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 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the 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.

Independent Auditor's Report

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 2015 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 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 27 August 2015

Shareholder Details

The number of shares held by the substantial shareholders as at 31 August 2015:

Name	No. ordinary shares held	% of issued capital held
Minderoo Group Pty Ltd	148,150,000	8.02
MC Management Group Pty Ltd <The MC Master A/C>	100,000,000	5.41

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

Distribution of shareholders
Number of ordinary shareholders: 8,088

Number of ordinary shares	No. of shareholders
1 – 1,000	245
1,001 – 5,000	479
5,001 – 10,000	874
10,001 – 100,000	3,979
100,001 and over	2,511
Total	8,088

Twenty Largest Shareholders

Name	No. ordinary shares held
Minderoo Group Pty Ltd	148,150,000
MC Management Group Pty Ltd <The MC Master A/C>	100,000,000
Mr Lee Eric Rodne	26,992,820
Citicorp Nominees Pty Limited	23,986,821
Alocasia Pty Limited <Camellia Super Fund A/C>	23,358,832
Mr William Graeme Rowley	20,059,215
Rosherville Pty Ltd	20,000,000
Broadscope Pty Ltd <The Catlow Family A/C>	17,807,411
J P Morgan Nominees Australia Limited	17,592,754
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	16,742,646
Mr Athanasios Farmakis	16,000,000
HSBC Custody Nominees (Australia) Limited	13,057,138
Parerg Pty Ltd	11,000,000
Mr Adrian Avotins	10,000,000
Truebell Capital Pty Ltd <Truebell Investment Fund>	9,400,000
Honne Investments Pty Limited	9,000,000
Peninsula Exploration Pty Ltd	9,000,000
Amric Pty Ltd <Amric Superfund A/C>	8,558,077
Mr John Gregory Karasmanis + Mrs Andriana Karasmanis	8,250,000
Mr John William Cunningham	8,160,000

The 20 largest shareholders hold 28.00% of the Company's issued capital.

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