

ASX RELEASE

26 February 2014

ASX Market Announcements
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Half Yearly Report (Appendix 4D) for the 6 months ended 31 Dec 2013

- **CardioCel[®] now approved in major markets**
- **Admedus invested further into Professor Ian Frazer's vaccine technology**
- **Revenue of \$4.1M from sales and distribution for the half year**

The Directors of Admedus Ltd (the "Company") are pleased to announce the operating results for the Company for the 6 months ended 31 December 2013. The Company's overall loss attributed to members for the period was \$746k which includes costs associated with the increased activities around the regulatory filing for CardioCel[®], launch of CardioCel[®] in Europe and the Phase I Herpes Simplex Virus (HSV-2) therapeutic vaccine study. The loss was reduced by a gain from the acquisition of Admedus Biomanufacturing Pty Ltd.

The highlights for the half-year were:

- Stronger sales compared to the previous half year with revenues up 9% to \$4.1M.
- European Regulatory approval for CardioCel[®]
- 14 surgeons now approved to use CardioCel[®] under the Authorised Prescriber Scheme in Australia.
- Phase I Clinical Trial completed on Professor Ian Frazer's next generation vaccine program for HSV-2.
- Acquisition of a manufacturing site in Western Australia for the scale up manufacture of CardioCel[®] for global markets
- Recipient of the industry's 2013 Emerging Company of the Year award
- The Company changed its name to "Admedus Ltd" in order to give the Company a clear identity and differentiation as it expands into global markets

Net Tangible Assets (NTA) increased overall due to the rights issue of \$10.4M and the acquisition of Admedus Biomanufacturing Pty Ltd.

Overall the Company remains in a strong financial position with a cash balance at the end of the period of more than \$9 million. The first half of the financial year was another successful period for Admedus with sales revenue reaching \$4.101 million for the current period, up from \$3.753 million in the corresponding period of the previous year.

Admedus also saw the approval of CardioCel[®] in Europe, with the CE mark being granted in August 2013 and the product launched in November. Recently, although not in the reporting period, the Company also announced FDA clearance for CardioCel[®] to enable it to be sold in the US. The Company also continues to seek regulatory approval for CardioCel[®] in other jurisdictions.


In December 2013, the Company acquired Admedus Biomanufacturing Pty Ltd (formerly Verigen Australia Pty Ltd), which holds a lease over a manufacturing site in Perth, Western Australia. The state-of-the-art laboratories and clean rooms will be used for the scale up of manufacturing for CardioCel[®] to supply global markets.

During the reporting period, in conjunction with Professor Ian Frazer and his team, the Company completed patient enrolment and dosing for the Phase I Clinical Trial for an HSV-2 vaccine. The Company anticipates releasing more data in the future, but has recently announced a positive outcome from the study in that the therapeutic vaccine not only proved to be safe, but was also able to stimulate a T-cell response against the virus.

The following half yearly report includes:

- Appendix 4D;
- Directors' Report;
- Financial Report;
- Directors' Declaration; and
- Audit Report and Independence Declaration.

Yours faithfully



Stephen Mann
Company Secretary

Appendix 4D Half Yearly Report

Name of Entity:	Admedus Ltd
ABN:	35 088 221 078
Reporting Period:	Half year ended 31 December 2013
Previous corresponding Period:	Half year ended 31 December 2012

Results for Announcement to the Market

				\$A'000
Revenues from ordinary activities	Up	9.3%	to	4,101
Loss from ordinary activities after tax	Down	33.1%	to	(1,487)
Loss for the period attributable to members	Down	63.3%	to	(746)

Dividends	Amount per security	Franked amount per security
Interim dividend	NIL¢	NIL¢
Previous corresponding period	NIL¢	NIL¢

Results Commentary

Revenue for the period was stronger at \$4.1M and the closing cash for the period was \$9.3M, with the Company undertaking a rights issue during the half-year. The overall loss attributed to members for the period was \$745,660 compared to \$2,029,424 for the previous period. The majority of the loss for the period is attributed to the preparation and launch of CardioCel[®] in Europe. In Europe, CardioCel[®] is approved for the repair and reconstruction of septum and myocardial injuries. The Company also continued to pursue market clearance for the product in the US as well as other jurisdictions around the world. CardioCel[®] is unique in its properties and characteristics which give it added advantages over other patches currently on the market, in particular the way it avoids calcification and facilitates autologous regeneration around the patch post-surgery. CardioCel[®] is a ready to use, off the shelf regenerative tissue patch and is used in the repair and reconstruction of congenital heart disease defects and related cardiovascular disease defects.

The progression of CardioCel[®] with regulatory agencies is supported by Commercialisation Australia, which is funded by the Australian Government.

During the period the Company acquired Admedus Biomanufacturing Pty Ltd (formerly Verigen Australia Pty Ltd), which holds a lease over a manufacturing site in Perth, Western Australia. The state-of-the-art laboratories and clean rooms will be used for the scale up of manufacturing for CardioCel® to supply global markets. The Company made a \$2.7M gain on the acquisition based on the fair value of assets and liabilities shown in note 2 of the financial statements.

Admedus will look to sell CardioCel® directly through its own sales force and leverage off the expertise already established in the company within its Australian, New Zealand, European and US sales and marketing division.

During the period the Company continued to invest in the therapeutic vaccine programs being developed by Professor Ian Frazer and his team. The first clinical study for the vaccine program was completed during the period and the final results are due to be released in the 2014 calendar year.

During the period, the sales and marketing division continued to show strong progress with sales reaching \$4.1 million for the period. In addition, the division increased inventory ahead of the typically stronger 2nd half of the financial year.

Net Tangible Assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	1.37 cents per share	0.81 cents per share

The change in the Net Tangible Assets per security between the previous corresponding period and the current period can be attributed to the decrease in net tangible assets during period due to loss from equity accounted investment.

Control gained over entities having material effect

On 31 December 2013 Admedus Ltd, acquired 100% of shares on issue in Admedus Biomanufacturing Pty Ltd (formerly Verigen Australia Pty Ltd).

Loss of control of entities having material effect

N/A

Details of aggregate share of profits (losses) of associated and joint venture entities

N/A

This report is based on:

The accounts have been subject to review.

Sign here: 
 (Company Secretary)

Date: 26 February 2014

Print name: Stephen Mann



ADMEDUS Ltd ABN 35 088 221 078

(formerly known as Allied Healthcare Group Ltd)

CONSOLIDATED HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2013

CORPORATE DIRECTORY

Directors

Christopher Catlow	– Non Executive Chairman
Lee Rodne	– Managing Director
Michael Bennett	– Executive Director
Graeme Rowley	– Non-executive Director
Peter Turvey	– Non-executive Director

Company Secretary

Stephen Mann

Company and Registered Office

Level 1, 197 Adelaide Terrace
Perth, Western Australia 6000
Telephone: +61 8 9266 0100
Facsimile: +61 8 9266 0199
Website: www.admedus.com
Email: info.au@admedus.com

Auditors

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

Solicitors

Hardy Bowen Lawyers
1/28 Ord Street
West Perth, Western Australia 6005

Bankers

ANZ
77 St Georges Terrace
Perth, Western Australia 6000

Stock Exchange Listing

Australian Stock Exchange codes:
AHZ (ordinary shares)

DIRECTORS' REPORT

The Directors present the half-yearly financial report on the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consisting of Admedus Ltd (formerly known as Allied Healthcare Group Ltd) and its controlled entities for the half-year ended 31 December 2013.

DIRECTORS

The following persons were Directors of the Company during the half-year and up to the date of this report:

Christopher Catlow
 Lee Rodne
 Michael Bennett
 Graeme Rowley
 Peter Turvey

Stephen Mann was the Company Secretary during the half year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year consisted of:

- At the Annual General Meeting shareholders agreed to change the name of the Company to Admedus Ltd.
- Admedus' sales and marketing division is focused on supplying infusion and cardiology products used in hospitals and private practices. The division has increased its portfolio of infusion related products and has seen strong revenue growth over the past year. The sales and marketing division will also spearhead the launching of Admedus' leading regenerative tissue product CardioCel[®] to grow revenue significantly in overseas markets. During the period inventories increased to meet demand of second half of year.
- Admedus received European approval for CardioCel[®], achieving the initial marketing approval in overseas markets. Since the end of period, Admedus has also received clearance by the FDA to sell into the USA. The Company also continues to undertake research and development on a range of regenerative products using the ADAPT Technology.
- During the half year, Admedus invested further into its interests in next generation of DNA vaccines with Professor Ian Frazer. During the period the Company also completed its Phase I clinical study with the lead DNA vaccine program targeting HSV-2 and interim results have recently been released.
- The Company acquired Admedus Biomanufacturing Pty Ltd (formerly Verigen Australia Pty Ltd). Admedus Biomanufacturing holds a lease over a manufacturing facility which will be used to produce the company's lead regenerative tissue product CardioCel[®] to meet expected future demand.

REVIEW OF OPERATIONS AND RESULTS

The consolidated operating loss for the half-year:

	31 Dec 2013 \$	31 Dec 2012 \$
Loss before income tax	(1,581,044)	(2,253,593)
Income tax benefit	94,466	31,462
Loss for the period	(1,486,578)	(2,222,131)

DIRECTORS' REPORT (continued)

The overall loss for the equity holders of Admedus Ltd was \$745,660 compared to \$2,029,424 for the previous reporting period. The Company had revenue for the period of \$4.1M and the closing cash for the period was \$9.3M. The cash position was strengthened during the reporting period as a result of the Company's oversubscribed Rights Issue, which closed in October, 2013. The Rights Issue raised \$10.4M with an additional \$7M being returned to shareholders due to oversubscriptions. The Rights Issue was fully underwritten and supported by Morgans Stockbrokers.

The majority of expenditure during the period was attributed to the launch preparation for CardioCel[®] into the European and US markets. Associated expenditures were in ongoing regulatory activities, particular in relation to the US 510(k) submission for CardioCel[®]. The Company also dedicated resources to the continued expansion of the Authorised Prescriber Scheme in Australia, resulting in 14 surgeons now gaining approval to use CardioCel[®] in Australia to treat both children and adults for congenital heart disease and cardiovascular defects, including repairing heart valves.

During the period, the Company received \$1.2M from Commercialisation Australia as part of the Early Commercialisation Grant awarded in June 2013. This grant has been used to help fund the commercialisation and scale-up of manufacturing of CardioCel[®]. The grant is supported by the Australian Government.

The Company continued to work with Professor Frazer and his team to progress the Phase I clinical study on an HSV-2 vaccine. The inoculation of the study subjects was completed during the period with initial interim results received in February 2014. Admedus also increased its holding in these programs by investing an additional \$1M during the period.

The group's sales revenue continued to grow with sales reaching \$4.1M for the period. The division also increased inventory during the period ahead of the traditionally stronger 2nd half of the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period the Company changed its name from Allied Healthcare Group Ltd to Admedus Ltd. On 31 December 2013 the Company acquired Admedus Biomanufacturing Pty Ltd (formerly Verigen Australia Pty Ltd). Admedus Biomanufacturing holds a lease over a manufacturing facility, which will be used to produce CardioCel[®] to meet expected global demand.

DIVIDENDS

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

EVENTS SUBSEQUENT TO REPORTING DATE

On 3 February 2014, the Company released interim results of its Phase I clinical trial of the HSV-2 vaccine. The trial achieved the primary endpoint of being safe in the study subjects with the vaccine generating important T-Cell responses.

On 10 February 2014, the Company was cleared by the FDA to sell CardioCel[®] in the USA.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this Directors' report for the half-year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

A handwritten signature in blue ink that reads 'J Catlow'.

Christopher J Catlow
Chairman

Dated at Perth, Western Australia this 26th day of February 2014.

DECLARATION OF INDEPENDENCE BY NAME OF ENGAGEMENT PARTNER TO THE DIRECTORS OF
ADMEDUS LTD

As lead auditor for the review of Admedus Ltd for the half-year ended 31 December 2013, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Brad McVeigh

Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED			
	Note	31 Dec 2013 \$	31 Dec 2012 \$
Revenue from continuing operations	3	4,101,083	3,752,850
Cost of sales		(2,220,551)	(1,715,927)
Gross Profit		1,880,532	2,036,923
Other income	3	1,226,464	-
Gain on acquisition	2	2,686,602	-
Administrative expenses		(296,561)	(67,222)
Employee benefits		(2,763,637)	(1,701,919)
Consultancy fees		(860,140)	(483,748)
Travel costs		(779,642)	(400,845)
Research and development costs		(968,410)	(311,816)
Corporate costs		(246,128)	(102,852)
Operations costs		(604,989)	(305,621)
Marketing costs		(194,069)	(113,315)
Share based payments		(103,593)	-
Amortisation expense		(535,374)	(120,690)
Asset write-down		(4,072)	(103)
Loss from equity accounting		-	(664,624)
Depreciation expense		(18,027)	(17,761)
Loss before income tax from continuing operations		(1,581,044)	(2,253,593)
Income tax benefit		94,466	31,462
Loss after income tax for the half-year		(1,486,578)	(2,222,131)
Loss is attributable to:			
Equity holders of Admedus Ltd		(745,660)	(2,029,424)
Non controlling interests		(740,918)	(192,707)
		(1,486,578)	(2,222,131)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		<u>Cents</u>	<u>Cents</u>
Basic loss per share		(0.069)	(0.252)
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 HALF-YEAR ENDED 31 DECEMBER 2013

	Note	CONSOLIDATED	
		31 Dec 2013	31 Dec 2012
		\$	\$
Loss for the half-year		(1,486,578)	(2,222,131)
Other comprehensive income		-	-
Total comprehensive loss for the half-year		(1,486,578)	(2,222,131)
Total comprehensive loss for the half-year is attributable to			
Equity holders of Admedus Ltd		(745,660)	(2,029,424)
Non controlling interests		(740,918)	(192,707)
		(1,486,578)	(2,222,131)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	CONSOLIDATED	
		31 Dec 2013	30 June 2013
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	7	9,305,090	2,445,423
Trade and other receivables		1,503,205	1,530,997
Inventories		2,045,037	1,917,507
Total current assets		12,853,332	5,893,927
Non-current assets			
Property, plant & equipment	8	3,319,249	121,651
Intangible assets	9	9,191,072	9,682,947
Deferred tax asset		1,044,416	865,271
Total non-current assets		13,554,737	10,669,869
Total assets		26,408,069	16,563,796
LIABILITIES			
Current liabilities			
Trade and other payables		532,058	661,503
Provisions	10	264,632	189,474
Current tax payable		30,138	30,138
Total current liabilities		826,828	881,115
Non-current liabilities			
Trade and other payables		466,859	466,859
Provisions	11	609,973	140,748
Total non-current liabilities		1,076,832	607,607
Total liabilities		1,903,660	1,488,722
NET ASSETS		24,504,409	15,075,074
EQUITY			
Contributed equity	12	35,847,711	25,035,391
Reserves	13	646,290	845,442
Accumulated losses		(13,378,793)	(12,633,133)
Capital and reserves attributable to equity holders of Admedus Ltd		23,115,208	13,247,700
Non controlling interest	14	1,389,201	1,827,374
TOTAL EQUITY		24,504,409	15,075,074

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED						
	Share Capital \$	Share-based payment Reserves \$	Other Reserve \$	Accumulated Losses \$	Total \$	Non controlling Interest \$	Total Equity \$
Balance at 1 July 2012	20,331,475	837,873	-	(10,740,727)	10,428,621	4,826	10,433,447
Loss for the half-year	-	-	-	(2,029,424)	(2,029,424)	(192,707)	(2,222,131)
Total comprehensive loss for the half-year	-	-	-	(2,029,424)	(2,029,424)	(192,707)	(2,222,131)
Transactions with owners in their capacity as owners							
Shares issued during the half-year	1,700,970	-	-	-	1,700,970	-	1,700,970
Capital raising costs	(119,970)	-	-	-	(119,970)	-	(119,970)
Shares issued as executive bonus	37,000	-	-	-	37,000	-	37,000
Shares issued in lieu of directors fees	82,788	-	-	-	82,788	-	82,788
Exercise of options	1	-	-	-	1	-	1
Balance at 31 December 2012	22,032,264	837,873	-	(12,770,151)	10,099,986	(187,881)	9,912,105
Balance at 1 July 2013	25,035,391	845,442	-	(12,633,133)	13,247,700	1,827,374	15,075,074
Loss for the half-year	-	-	-	(745,660)	(745,660)	(740,918)	(1,486,578)
Total comprehensive loss for the half-year	-	-	-	(745,660)	(745,660)	(740,918)	(1,486,578)
Transactions with owners in their capacity as owners							
Transaction with non controlling interest	-	-	(302,745)	-	(302,745)	302,745	-
Shares issued during the half-year	10,440,201	-	-	-	10,440,201	-	10,440,201
Options issued during the half-year	-	103,593	-	-	103,593	-	103,593
Capital raising costs	(522,010)	-	-	-	(522,010)	-	(522,010)
Recognise tax effect on capital raising costs	84,679	-	-	-	84,679	-	84,679
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	694,000	-	-	-	694,000	-	694,000
Balance at 31 December 2013	35,847,711	949,035	(302,745)	(13,378,793)	23,115,208	1,389,201	24,504,409

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED	
Note	Half-year 31 Dec 2013	Half-year 31 Dec 2012
	\$	\$
Cash flows from operating activities		
Receipts from customers	4,148,156	3,646,047
Payments to suppliers	(9,051,672)	(5,346,824)
	(4,903,516)	(1,700,777)
Interest received	17,261	4,431
Interest paid	(17,004)	(3,879)
Grant Income	1,226,213	-
Income tax refund/(paid)	-	294,762
Net cash outflow from operating activities	(3,677,046)	(1,405,463)
Cash flows from investing activities		
Cash acquired on acquisition of subsidiaries	97,093	-
Payments for property, plant & equipment	(129,073)	(16,532)
Purchase of equity accounted investments	-	(200,000)
Payments for intangible assets	(43,498)	(34,945)
Net cash outflow from investing activities	(75,478)	(251,477)
Cash flows from financing activities		
Proceeds from share and options issues	11,134,201	1,700,971
Share issue transaction costs	(522,010)	(119,970)
Net cash inflow from financing activities	10,612,191	1,581,001
Net increase/(decrease) in cash held	6,859,667	(75,939)
Cash at the beginning of the half-year	2,445,423	2,064,052
Cash at end of the half-year	7 9,305,090	1,988,113

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*. The half-year financial report has been prepared in accordance with the historical cost convention.

This half-year financial report does not include all the notes of the type normally included within the annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Admedus Ltd during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

(a) Changes in accounting policy

Revenue recognition

In accordance with AASB 120, 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 profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

New or revised accounting standards

Admedus Ltd had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*, and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the December 2013 half-year report are AASB 13 *Fair Value Measurement*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards have introduced new disclosures for the interim report but did not affect the entity's accounting policies or any of the amounts recognised in the financial statements.

(i) Principles of consolidation – subsidiaries and joint arrangements

AASB134(16A)(a) AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB11(14) Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Admedus Ltd does not have any joint arrangements.

(ii) Employee benefits

The group has reviewed its employee benefits provisions in all entities AASB 119 *Employee Benefits*. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of revised AASB 119.

(b) Impact of standards issued but not yet applied by the entity

AASB134(16A) AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will have no effect as the group does not hold any financial instruments.

There will be no impact on the group's accounting for financial liabilities, as the group does not hold any financial liabilities. The group has not yet decided when to adopt AASB 9.

2. BUSINESS COMBINATION

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.

As the directors are yet to determine the fair value of Admedus Biomanufacturing's assets and liabilities provisional accounting has been applied.

	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)	-	3,086,552
Trade and other payable	(80,396)	(80,396)
Provisions (ii)	(73,000)	(473,000)
Identifiable assets acquired and liabilities assumed	(97,043)	2,589,509

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

2. BUSINESS COMBINATION (continued)

	Acquiree's Carrying Amount	Fair Value
	\$	\$
Gain on acquisition		2,686,602

- 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, and as an interim measure it has been reflected in the financial statements at the value prior to impairment until a third party valuation can be completed.
- ii. Under the lease agreement there is a requirement for Admedus Biomanufacturing to restore the facility to original condition at the end of lease. A provision of \$400,000 has been created for the cost of removing lease hold improvements including laboratories and clean rooms.

Loss and revenue resulting from the acquisition of Admedus Biomanufacturing Pty Ltd amounting to \$Nil and \$Nil respectively are included in the consolidated statement of profit or loss for the half year ended 31 December 2013.

3. REVENUES

	Half-year 2013 \$	Half-year 2012 \$
Revenue from continuing operations		
Revenue from operations	4,083,822	3,748,419
Interest revenue	17,261	4,431
Total revenue from continuing operations	4,101,083	3,752,850
Breakdown of other revenue		
Grant Income	1,226,213	-
Sundry income	251	-
Total revenue from continuing operations	1,226,464	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

4. SUBSEQUENT EVENTS

On 3 February 2014, the Company released interim result of Phase I trial of the HSV-2 vaccine. Study achieved primary endpoint of being safe in the study subjects.

On 10 February 2014, the Company has been cleared by FDA to sell CardioCel[®] in USA.

5. SEGMENT INFORMATION

Description of segments

In accordance with AASB 8 Operating 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 products and medical devices distribution;
- Bio-implant operations of Admedus Regen Pty Ltd;
- DNA Vaccines operations of Coridon Pty Ltd; and
- Manufacturing operations of Admedus Biomanufacturing Pty Ltd.

	Medical products & devices	Bioimplants	DNA Vaccines	Manufacturing	Total
Half year 2013	\$	\$	\$	\$	\$
Total segment revenue	4,027,507	56,315	-	-	4,083,822
Segment profit / loss before income tax	199,849	(2,174,034)	(1,327,299)	-	(3,301,484)
Half year 2012					
Total segment revenue	3,744,380	4,039	-	-	3,748,419
Segment profit/(loss) before income tax	611,666	(883,978)	-	-	(272,312)
Segment assets					
31 December 2013	838,406	1,009,423	6,606,892	3,239,999	11,694,720
30 June 2013	1,833,671	213,024	6,817,761	-	8,864,456
Segment liabilities					
31 December 2013	1,034,089	1,793,079	137,884	553,396	3,518,448
30 June 2013	1,201,464	54,597	21,454	-	1,277,515

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

5. SEGMENT INFORMATION (continued)

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

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

	Half-year 2013 \$	Half-year 2012 \$
Segment revenue	4,083,822	3,748,419
Interest revenue	17,261	4,431
Total revenue from continuing operations	4,101,082	3,752,850

Performance is measured based on segment result before tax.

The reconciliation of segment information to loss for the half-year is as follows:

	Half-year 2013 \$	Half-year 2012 \$
Segment profit (loss)	(3,301,484)	(272,312)
Other administration expenses	(737,745)	(1,195,049)
Depreciation expense	(4,134)	(918)
Amortisation expense	(120,690)	(120,690)
Gain on aquisition	2,686,602	
Loss from equity accounting	-	(664,624)
Share based payments	(103,593)	-
Loss for the half-year before income tax	(1,581,044)	(2,253,593)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

5. SEGMENT INFORMATION (continued)

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

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

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

Reportable segment assets reconciled to total assets as follows:

	31 December 2013 \$	30 June 2013 \$
Segment assets	11,694,720	8,864,456
Intersegment eliminations	3,166,596	2,712,774
Unallocated:		
Cash and cash equivalents	7,640,997	1,251,797
Trade and other receivables	76,883	14,823
Property, plant and equipment	44,280	2,009
Deferred tax asset	877,075	697,930
Intangibles	2,907,518	3,020,007
Total assets per the statement of financial position	26,408,069	16,563,796

Reportable segment liabilities reconciled to total liabilities as follows:

	31 December 2013 \$	30 June 2013 \$
Segment liabilities	3,518,448	1,277,515
Intersegment eliminations	(1,802,157)	-
Unallocated:		
Trade and other payables	42,826	66,664
Income tax provision	93,158	93,158
Provisions	51,385	51,385
Total liabilities per the statement of financial position	1,903,660	1,488,722

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

6. DIVIDENDS

No dividends have been declared or paid during the half year.

7. CASH AND CASH EQUIVALENTS

	31 December 2013 \$	30 June 2013 \$
	<u>9,305,090</u>	<u>2,445,423</u>
Cash at bank and in hand		

8. PROPERTY PLANT AND EQUIPMENT

	31 December 2013 \$	30 June 2013 \$
	<u>3,319,249</u>	<u>121,651</u>
Plant & equipment		
Cost	3,571,394	355,769
Accumulated depreciation	<u>(252,145)</u>	<u>(234,118)</u>
	<u>3,319,249</u>	<u>121,651</u>
Reconciliation		
Opening net book value	121,651	132,094
Additions	3,215,625	20,958
Disposals	-	-
Depreciation charge	<u>(18,027)</u>	<u>(31,401)</u>
Closing net book value	<u>3,319,249</u>	<u>121,651</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

9. INTANGIBLE ASSETS

	31 December 2013 \$	30 June 2013 \$
Patents	215,919	172,421
Intellectual property	2,896,553	3,017,242
Technology Licence	3,085,457	3,500,141
Goodwill	2,993,143	2,993,143
	9,191,072	9,682,947
Reconciliation - Patents		
Opening net book value	172,421	99,009
Additions - acquisitions	43,498	73,412
Closing net book value	215,919	172,421
Reconciliation – Intellectual property		
Opening net book value	3,017,242	3,258,621
Accumulated amortisation	(120,689)	(241,379)
Closing net book value	2,896,553	3,017,242
Reconciliation – Technology Licence		
Opening net book value	3,500,141	-
Additions – acquisitions (Coridon Pty Ltd)	-	3,500,141
Accumulated amortisation	(414,684)	-
Closing net book value	3,085,457	3,500,141
Reconciliation – Goodwill		
Opening net book value	2,993,143	-
Additions – Coridon Pty Ltd	-	2,993,143
Closing net book value	2,993,143	2,993,143

The fair value of technology licence and goodwill from Coridon transaction were calculated on 30 June 2013. No impairment test was completed at 30 June 2013 as this was not required. The directors will perform an impairment test prior to 30 June 2014 in accordance with accounting requirements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

10. CURRENT LIABILITIES - PROVISIONS

	31 December 2013	30 June 2013
	\$	\$
Employee benefits	264,632	189,474

11. NON CURRENT LIABILITIES - PROVISIONS

	31 December 2013	30 June 2013
	\$	\$
Long service leave provision	209,973	140,748
Restoration provision	400,000	-
	609,973	140,748

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

12. CONTRIBUTED EQUITY

	SHARES		\$	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
(a) Share Capital				
Ordinary shares				
Fully paid	1,256,537,921	890,411,181	35,847,711	22,032,264
Movements in Ordinary Share Capital				
Opening balance	1,035,171,181	799,568,843	25,035,391	20,331,475
Options exercised	11,566,666	13	694,000	1
Shares issued for executive bonuses	367,347	2,176,470	18,000	37,000
Shares issued in lieu of directors fees	628,710	3,617,355	97,450	82,788
Share placement	-	85,048,500	-	1,700,970
Rights issue	208,804,017	-	10,440,201	-
Capital raising costs	-	-	(522,010)	(119,970)
Recognise tax effect on capital raising costs	-	-	84,679	
Closing balance	1,256,537,921	890,411,181	35,847,711	22,032,264

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

13. RESERVES

	31 December 2013 \$	30 June 2013 \$
Share based payments reserve	949,035	845,442
Other reserve	(302,745)	-
	<u>646,290</u>	<u>845,442</u>
Reconciliation – Share based payments reserve		
Opening balances	845,442	837,873
Unlisted options issued	103,593	7,569
Closing balance	<u>949,035</u>	<u>845,442</u>
Reconciliation – Other reserve		
Opening balances	-	-
Gain in NCI	(302,745)	-
Closing balance	<u>(302,745)</u>	<u>-</u>

During the prior year the share based payments reserve consists of 17,300,000 unlisted options issued under the ESOP. During the half year the share based payments reserve consists options listed above and additional 9,000,000 unlisted options issued to directors and employees in accordance with resolution at AGM.

14. NON CONTROLLING INTEREST

	31 December 2013 \$	30 June 2013 \$
Interest in:		
Share capital	684,968	684,968
Accumulated losses	(1,468,154)	(753,852)
Non-controlling interest – Coridon Pty Ltd	<u>2,172,387</u>	<u>1,896,258</u>
Closing balance	<u>1,389,201</u>	<u>1,827,374</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

15. COMMITMENTS

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

	31 December 2013 \$	30 June 2013 \$
	<hr/>	<hr/>
(a) Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	467,032	152,596
Later than one year but no later than five years	1,456,199	109,475
Greater than five years	33,442	-
	<hr/> 1,956,673 <hr/>	<hr/> 262,071 <hr/>

The Company leases office space under an operating lease that expires in May 2015. The Company also leases manufacturing facility under an operating lease that expires in January 2019

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Due to their short term nature the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements of the consolidated entity are in accordance with the Corporations Act 2001; including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Admedus Ltd will be able to pay its debts as and when they become due and payable.

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



Christopher J. Catlow
Chairman

Perth, Western Australia

Dated this 26th day of February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Admedus Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Admedus Ltd, which comprises the consolidated statement of financial position as at 31 December 2013, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Admedus Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Admedus Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink. The word 'BDO' is written in a simple, blocky font. Below it, the name 'Brad McVeigh' is written in a cursive, handwritten style.

Brad McVeigh

Director

Perth, 26 February 2014