regeneus
living regenerative medicine

24th August 2016

ASX Ltd
Level 4, 20 Bridge Street
Sydney NSW 2000

Regeneus Ltd (ASX:RGS) – Results for the year ended 30 June 2016

Attached for immediate release to the market are the following documents:

- Regeneus Ltd Appendix 4E – Preliminary final report for the year ended 30 June 2016; and
- Regeneus Ltd Annual Report for the year ended 30 June 2016

Yours faithfully

John Martin
Director

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Appendix 4E

Preliminary financial report for the year ended 30 June 2016

Reporting Period

Report for the full year to 30 June 2016.

Corresponding period is for the full year ended 30 June 2015.

Results for announcement to the market			
	Current $'000	Change $'000	Change %
Revenue from ordinary activities	1,878	(183)	(8.9%)
Loss from ordinary activities after income tax attributable to members	(3,574)	3,033	45.9%
Net profit for the year attributable to members	(3,574)	3,033	45.9%

	2016 Cents	2015 Cents
Basic earnings per share	(0.017)	(0.03)
Diluted earnings per share	(0.017)	(0.03)
Net tangible asset backing per ordinary share	2.29	3.95

Dividends

No dividends are being proposed or have been paid in the current year (2015: Nil).

Audited Annual Accounts

This report is based on the consolidated financial statements that have been audited by Grant Thornton Audit Pty Ltd, with the Independent Auditor's Report included in the financial statements.

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the Operating and Financial Review section of the June 2016 Directors' Report and the audited June 2016 Financial Report, within the Regeneus Ltd Annual Report 2016, lodged with this Appendix 4E.

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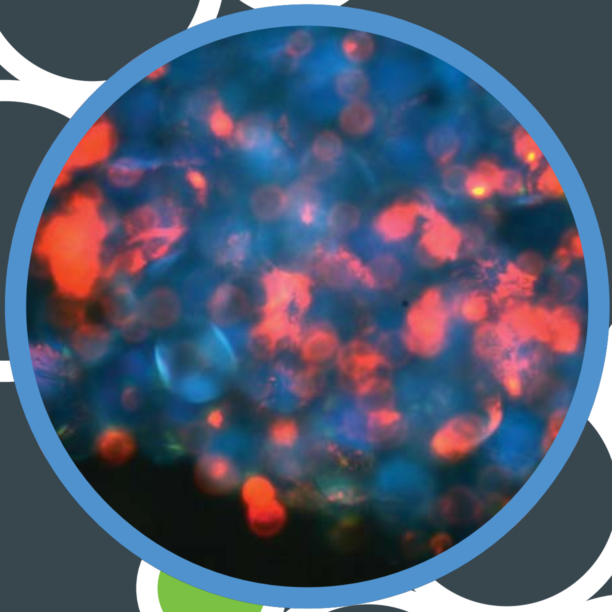
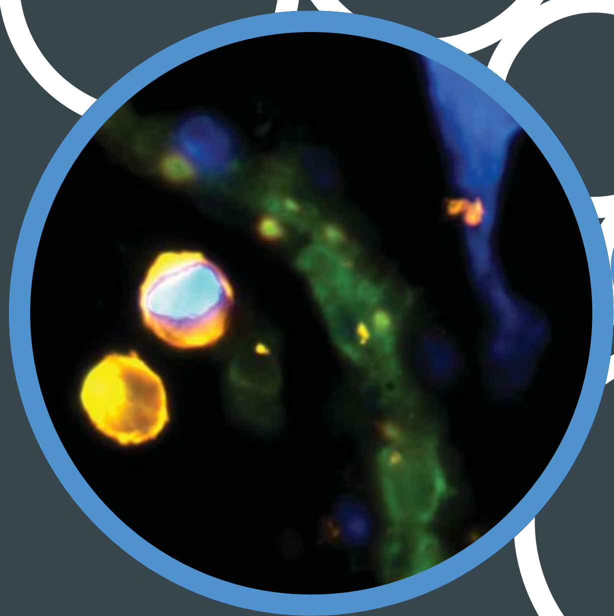
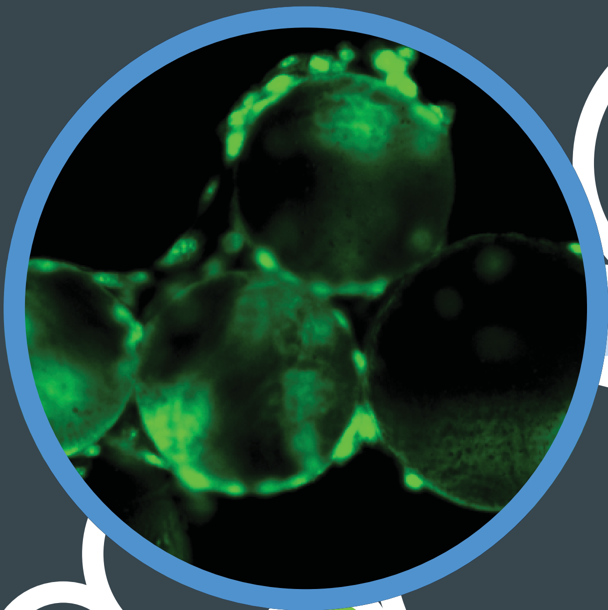
Annual Report 2016




LabGear
AUSTRALIA
Tuttnauer
Tuttnauer




Bio Console
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Contents

Highlights for FY16

Progress on first-in-human clinical trials

Progenza STEP trial - allogeneic off-the-shelf stem cells for human osteoarthritis
- Commenced and completed enrollment for STEP trial
- Positive safety review for both dose cohorts

RGSH4K ACTIVATE trial - autologous cancer vaccine
- Established tumour bank
- Patients safely dosed in all 3 dose cohorts

Commencement of clinical trials for animal health

CryoShot pre-pivotal trial - allogeneic stem cells for canine osteoarthritis
- Commenced enrollment for trial at University of Pennsylvania - more than 30% recruited

Kvax trials - autologous canine cancer vaccine
- Completed osteosarcoma trial with VCA Hospitals Inc. in USA
- Commenced enrollment of lymphoma trial at Small Animal Specialist Hospital in Sydney

Growth in strategic partnerships

- Entered into agreement with top animal health pharma to partner development and commercialisation of CryoShot for canine osteoarthritis
- Advanced licensing discussions for manufacturing and clinical development of Progenza in Japan
- Secured ARC linkage grant funding for collaborative research with Macquarie University and University of Adelaide into treating chronic pain with stem cells

Technology development and manufacture scale-up

- Exclusive licence for next generation cell identification and selection technology for high potency secreting stem cells developed at Macquarie University node of Centre for Nanoscale Biophotonics
- Collaboration with CSIRO on manufacture scale-up technologies for Progenza and Secretions
- Improvements to cell growth media to enhance cell yield for Progenza and Secretions
- Optimised Secretions formulation

Key patents granted

- Patent granted in Australia covering Progenza technology - allogeneic stem cells and secretions for the treatment of osteoarthritis and other inflammatory conditions in humans and animals
- Patent granted in Australia covering cancer vaccine technology for the treatment of cancers in humans (RGSH4K) and animals (Kvax)

Financial highlights

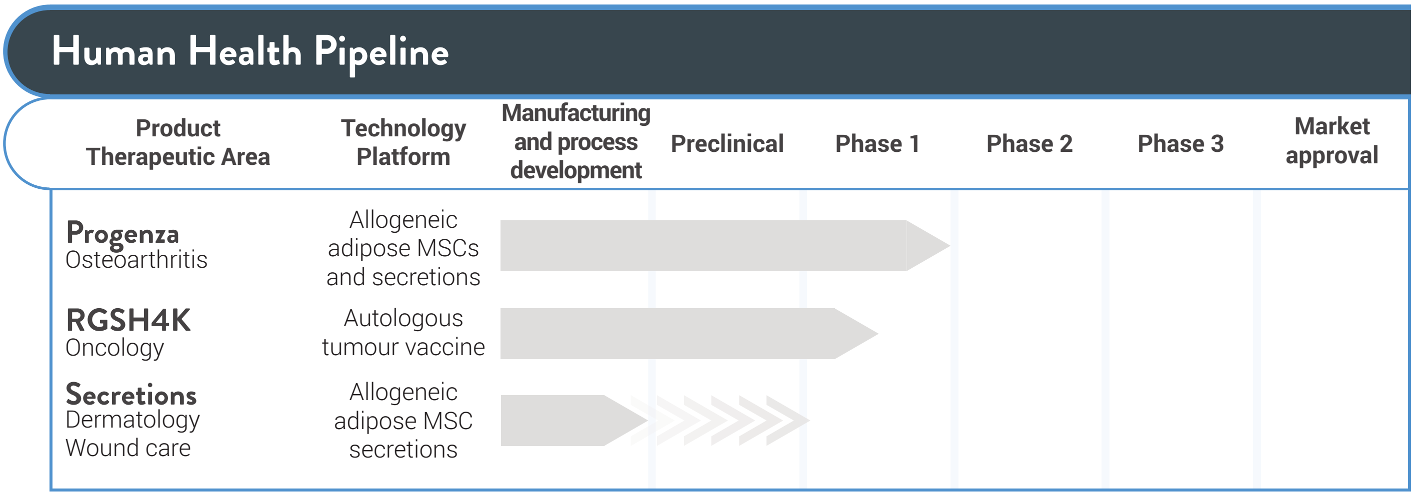
- Licence fee revenues up 35% to $1.2m (FY15: $0.9m)
- Loss from ordinary activities down 45% to $3.6m (FY15: $6.6m). These results included R&D tax incentive of $2.7m (FY15: $3.4m)
- Quarterly cash burn down 37% to $1.48m per quarter (FY15: $2.35m per quarter) - better than stated target of $1.7m
- Net cash used in operating activities of $2.25m (including R&D tax incentive) (FY15: $5.92m)

Report from the Chairman and CEO

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to report on the progress we have made during the financial year ending 30 June 2016.

During the period we achieved a number of significant clinical, manufacturing and commercial milestones that position the company to unlock significant value in the business over the next 12-18 months.



Allogeneic cells - cells from a donor Autologous cells - patient's own cells

Progenza – allogeneic stem cell therapy technology platform

Progenza is the company's lead cell therapy technology that is being developed for the treatment of osteoarthritis and other musculoskeletal disorders. It also has the potential to be used for other inflammatory conditions that have limited treatment options.

Progenza is made from expanded allogeneic mesenchymal stem cells (MSCs) from human adipose (or fat) tissue and contains the bioactive secretions of the cells. Progenza works by reducing inflammation and promoting healing and repair in the damaged or diseased tissue. It is a scalable technology that has the demonstrated capability to produce millions of doses of cells from a single donor.

Completion of patient recruitment to STEP trial

In May this year, we completed the recruitment of the Phase 1 STEP trial of Progenza for the treatment of knee osteoarthritis without any unexpected safety concerns. The trial is being led by Dr. Donald Kuah who is a leading Sydney-based sports medicine specialist and one of the most experienced clinicians in the use of cell therapy for osteoarthritis.

The trial includes 20 participants with knee osteoarthritis treated at two different doses of cells. Participants received ultrasound-guided injections of Progenza or placebo directly into their arthritic knee joint. One in five patients received a placebo injection. The primary objective of the trial is to evaluate the safety and tolerability of Progenza. The secondary objectives are to investigate the effect of Progenza on knee pain and function, quality of life, knee joint structures using magnetic resonance imaging and osteoarthritis biomarkers. The trial will conclude once the last patient completes 12 month post-treatment follow-up. It is anticipated that we will report on the trial results in Q4 FY17.

Partnering Progenza in Japan

We have identified Japan as a key target market for partnering clinical development, manufacturing and commercialisation of Progenza. Japan has positioned itself as a leader in regenerative medicine including establishing an accelerated approval process specifically designed for regenerative medicine products like Progenza. These new laws allow for the conditional marketing approval of regenerative medicine products that demonstrate safety and probable efficacy without the need for expensive and long phase 3 trials.

Over the last year, we have seen increasing R&D investment and partnering activity in Japan for cell-based regenerative medicine technologies. We are in advanced discussions with potential partners for the manufacture and commercialisation of Progenza in Japan and look forward to converting these discussions into binding arrangements by the end of Q1 FY17.

Report from the Chairman and CEO

Preparation for Phase 2 trial product

We have commenced preparations for the development of Progenza for the planned Phase 2 trial of Progenza for osteoarthritis in Japan and its development for other major markets. Our adipose tissue donor procurement process is underway and ethics approval has been received to procure up to 20 donors to proceed into cell bank manufacture. In addition, further improvements were made on the cell growth media to improve on cell yield, to refine the formulation and to ensure the secured supply of the raw materials.

We are developing potency and identity assays that we can use as part of the product release criteria for the Phase 2 manufacture. We are on target to have the assays ready for cGMP manufacture tech transfer.

Manufacture scale-up

We have made progress on the scale-up of the manufacture of Progenza. In preparation for the STEP trial, we demonstrated the capacity to produce millions of therapeutic doses from a single donor. As we use adipose tissue as the source of our MSCs, we have abundant starting material which assists in optimising the expansion of the MSCs. This year we collaborated with CSIRO on scale-up culturing techniques in bioreactors and have determined the best technology platforms and carriers for cell growth for further development of the scaled-up manufacturing process.

Key Progenza patent granted

In November 2015, the company was granted a key Australian patent covering the use of Progenza for the treatment of osteoarthritis and other inflammatory conditions for human and animal applications. The patent is also being pursued for grant in other key territories.

RGSH4K - human cancer vaccine

In October 2015, the first patient was successfully dosed in our first-in-human clinical trial for our cancer vaccine technology, RGSH4K. The ACTIVATE trial is a single centre, open label, Phase 1 dose escalating trial to evaluate the safety, tolerability and preliminary efficacy of RGSH4K.

This technology uses a patient's tumour to harness the body's own immune system to fight cancer cells. As part of the trial, the company has established a tumour bank to enable the banking of both previously collected and new tumours. These tumours are used as source material for the manufacture of the cancer vaccine.

We have recruited patients for all 3 dose levels without any unexpected safety concerns. We have approved tissue collection and treatment sites. We anticipate the trial being fully recruited by the end of this year and reporting on the trial results in H2 FY17.

Exploring combination therapy

In FY17, we will explore the opportunity of combining RGSH4K with a promising group of immunotherapy products known as checkpoint inhibitors, some of which are approved for patient use. These inhibitors stop the cancer from blocking the action of the body's immune cells.

Key cancer vaccine patent granted

In December 2015, an Australian patent was granted covering the use of the cancer vaccine technology for the treatment of a range of cancers in humans and animals. The patent is also being pursued for grant in other key territories.

Cell secretions for inflammatory skin conditions

Cell secretions is the company's technology platform that utilises the molecules including cytokines and growth factors that are secreted by MSCs and work in concert to reduce pain and inflammation and encourage accelerated healing and repair. These secretions are robust and stable and have been developed as a topical application for the treatment of inflammatory skin conditions such as acne and wound healing. Inflammatory skin conditions and wound healing are the most promising and near-term areas for regenerative medicine products.

These secretions are included with MSCs in our Progenza product and have demonstrated no safety concerns in preclinical and clinical testing. We have also shown secretions to be safe and effective in a preclinical inflammatory disease model as a standalone preparation.

During the year, we focused our efforts on developing and testing the optimal secretions-based formulation for topical applications and worked with CSIRO on technologies for scale-up manufacturing. In FY17, we will conduct further preclinical and clinical testing of the latest secretions for the treatment of acne and wound healing.

We will continue our discussions with parties for development and commercialisation opportunities for topical applications of the secretions in both the therapeutic and cosmetic markets.

Report from the Chairman and CEO

Technology development and licensing
In November 2015, we entered into a collaboration and licence agreement with Macquarie University to develop and commercialise a new cell identification and selection technology for high secreting stem cells. Researchers at the Macquarie University node of the Centre for Nanoscale BioPhotonics developed the technology.

The collaboration with researchers at Macquarie University and the University of Adelaide has led to the successful ARC linkage grant of $340k to fund research that seeks to better understand how stem cells and the new cell selection technology can be used in the treatment of chronic pain.

Animal Health Pipeline

Product Therapeutic Area	Technology Platform	Manufacturing and process development	Safety and efficacy studies	Pivotal trial	Market approval
CryoShot Canine Osteoarthritis	Allogeneic adipose MSCs				
CryoShot Equine Osteoarthritis	Allogeneic adipose MSCs				
Kvax* Oncology	Autologous tumour vaccine				

* Autologous animal cancer vaccines are subject to less regulatory requirements in Australia and the USA

CryoShot - allogeneic stem cells for canine and equine osteoarthritis
CryoShot is the company's lead cell therapy technology for the treatment of canine and equine osteoarthritis and other musculoskeletal disorders.

CryoShot is made from expanded allogeneic mesenchymal stem cells from canine or equine adipose (or fat) tissue. CryoShot cells work by reducing inflammation and promoting healing and repair in the damaged or diseased tissue. It is a scalable technology that has the demonstrated capability to produce commercial quantities of doses of cells from a single donor.

Pre-pivotal canine OA trial
In November 2015, recruitment commenced for a pre-pivotal trial assessing CryoShot as a treatment for canine osteoarthritis. This placebo-controlled trial of 80 dogs is being undertaken at the University of Pennsylvania School of Veterinary Medicine. The results of the trial will be used to finalise the design of a pivotal US Food and Drug Administration (FDA) trial with good manufacturing practice (GMP) grade product. Recruitment for the trial is scheduled for completion by the end of H1 FY17. All trial participants are followed for 90 days.

Collaboration with animal pharma
In November 2015, we entered into a collaboration and licence agreement with a major animal pharma company for the development and commercialisation of CryoShot. Upon completion of the pre-pivotal trial, our partner has an option to exclusively licence the CryoShot technology. Under the terms of the licence, we will receive an upfront licence fee and be entitled to other developmental milestone payments to be agreed at the time. The partner will be responsible for funding the pivotal trial and GMP manufacture of CryoShot and have exclusive global rights for sales and marketing for canine applications. We will receive a royalty on all CryoShot sales.

Kvax - autologous canine cancer vaccine
Osteosarcoma trial with VCA
During the year the company completed a small osteosarcoma trial conducted by Dr. Phil Bergman at VCA in the USA. The purpose of the trial was to test the safety, tolerability and preliminary efficacy of Kvax.

We will report on the results of the trial in Q2 FY17.

Lymphoma trial with SASH
In November 2015, the company initiated a 45 dog trial of Kvax in combination with chemotherapy for the treatment of canine lymphoma. The trial is being conducted at Small Animal Specialist Hospital (SASH) in Sydney and is currently recruiting cases.

Report from the Chairman and CEO

Financial highlights for FY16

Our financial results for FY16 were better than expectations and show continuing financial discipline in the management of the business operations while making substantial progress on our R&D, clinical and commercial goals. Highlights for the period included:

- Licence fee revenues up 35% to $1.2m (FY15: $0.9m)
- Loss from ordinary activities down 45% to $3.6m (FY15: $6.6m). These results include the R&D tax incentive of $2.7m (FY15: $3.4m)
- Quarterly cash burn down 37% to $1.48m per quarter (FY15: $2.35m per quarter) - better than stated target of $1.7m
- Net cash used in operating activities of $2.25m (including R&D tax incentive) (FY15: $5.92m)

A more detailed financial review of operations is set out in the Directors' Report.

Looking forward

FY17 will be an important year in the development of the company with a number of key commercial, clinical and R&D milestones in sight including:

- Secure manufacturing and commercial partner for Progenza technology in Japan - Q1 FY17
- Advance clinical partnering discussions for Progenza in Japan and other territories
- Commence donor procurement in preparation for Progenza manufacture for Phase 2 trial in Japan - Q1 FY17
- Commence ARC linkage project on stem cells for chronic pain - Q2 FY17
- Initiate preclinical and clinical trials for secretions technology - H1 FY17
- Complete recruitment and report on ACTIVATE cancer vaccine trial - H2 FY17
- Report on Progenza osteoarthritis STEP trial – H2 FY17
- Report on CryoShot canine pre-pivotal trial - H2 FY17

We look forward to capitalising on these milestones and other developments to unlock value in the company's clinical assets.

Thanks

We'd like to thank our fellow directors and the team at Regeneus for their outstanding efforts and contribution to the business over the last financial year.

Finally, we would like to thank our shareholders for their support for what we do and showing patience as we develop and seek to partner our regenerative medicine products.

Dr. Roger Aston
Chairman

John Martin
Chief Executive Officer

01 Directors' Report

Your Directors present their report for Regeneus Ltd and its controlled entities (the Group) for the financial year ended 30 June 2016.

1. Directors

The names of the Directors in office at any time during or since the end of the year are:

Dr. Roger Aston
- Non-executive Chairman

John Martin
- CEO and Executive Director

Professor Graham Vesey
- CSO and Executive Director

Barry Sechos
- Non-executive Director

Dr. Glen Richards
- Non-executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Chairman

Dr. Roger Aston has served on the Board since 2013 and was appointed Chairman in November 2014. He is one of the most experienced and commercially astute people in drug commercialisation in Australia. Roger brings more than 20 years experience in the pharmaceutical and healthcare industries in senior roles in the United Kingdom, Asia Pacific and Australia. Roger is also a director or chairman on a number of boards carrying out late-stage drug development.

Other current directorships

PharmAust Ltd
Immuron Ltd
Oncosil Medical Ltd
ResApp Health Ltd

Previous directorships of (last 3 years)

IDT Ltd
PolyNovo Ltd (Formerly Calzada Ltd)

Interests in shares

51,179

Interests in options

Nil

CEO - Executive Director

John Martin has served on the Board since early 2009 and was appointed CEO in November 2014. John has over 20 years of experience as a business executive, director and corporate lawyer including roles as CEO and Director of ASX-listed and private emerging technology companies including BTF and Proteome Systems. John was a corporate and executive partner of Allens specialising in M&A, fundraising and life sciences.

Other current directorships

None

Previous directorships (last 3 years)

None

Interests in shares

7,253,908

Interests in options

2,680,355

CSO - Executive Director

Professor Graham Vesey is a co-founder and founding CEO of the Company and has served on the Board since incorporation. He was appointed Chief Scientific Officer in November 2014. Graham is a successful biotechnology entrepreneur, technology innovator and inventor and a highly regarded scientist. Graham was a co-founder and Executive Director of the successful biotech company, BTF, which was sold to bioMerieux in 2007. Graham is an Adjunct Professor at Macquarie University.

Other current directorships

None

Previous directorships of (last 3 years)

None

Interests in shares

15,879,968

Interests in options

2,142,855

Non-executive Directors

Barry Sechos has served on the Board since 2012 and has over 20 years experience as a director, business executive and corporate lawyer with particular experience in investment and asset management. Barry is Executive Director of the Sherman Group (an early-stage investor in the Company) and sits on the board of many Sherman Group companies and investee companies.

Other current directorships
Aberdeen Leaders Fund Ltd

Previous directorships of (last 3 years)
None

Interests in shares
Nil

Interests in options
Nil

Dr. Glen Richards joined the Board on 1 April 2015. Glen practised companion animal medicine and surgery in Brisbane, Townsville and London before establishing Greencross Vets in 1994. As Managing Director of Greencross Ltd (ASX:GXL) he created Australia's largest veterinary healthcare group with over 120 veterinary practices and 200 pet specialty stores. He resigned as MD in December 2014 and continues as a Non-executive Director.

Other current directorships
Greencross Ltd
1300Smiles Ltd

Previous directorships (last 3 years)
None

Interests in shares
2,333,333

Interests in options
Nil

Company Secretary

Sandra McIntosh is the Company Secretary and Investor Relations Manager. Sandra has been with the Company since 2009, and has 20 years management experience in HR, customer service and finance.

2. Principal activities

Regeneus is an ASX-listed clinical-stage regenerative medicine company using stem cell and immuno-oncology technologies to develop a portfolio of cell-based therapies to address significant unmet medical needs in the human and animal health markets with a focus on osteoarthritis and other musculoskeletal disorders, oncology and dermatology diseases.

The company is focused on unlocking value in its clinical-stage human and animal pipeline products through generating positive clinical data, technology development and partnering.

3. Operating and financial review

Review of operations

During the year, the company achieved significant clinical development, R&D and commercial milestones that help position the company for future growth and development including:

Progress on first-in-human clinical trials

- Progenza STEP trial – allogeneic stem cells for human osteoarthritis
    - Commenced and completed STEP trial enrollment
    - Positive safety review for both dose cohorts
- RGSH4K ACTIVATE trial – autologous cancer vaccine
    - Established tumour bank
    - Patients safely dosed in all 3 dose cohorts

Commencement of clinical trials for animal health

- CryoShot pre-pivotal trial – allogeneic off-the-shelf stem cells for canine osteoarthritis
    - Commenced enrollment for trial at University of Pennsylvania - more than 30% recruited
- Kvax trials – autologous canine cancer vaccine
    - Completed osteosarcoma trial with VCA Hospitals Inc. in USA
    - Commenced enrollment of lymphoma trial at Small Animal Specialist Hospital in Sydney

Partnering and technology development

- Entered into agreement with top animal health pharma to partner development and commercialisation of CryoShot for canine osteoarthritis
- Advanced licensing discussions for manufacturing and clinical development of Progenza in Japan
- Exclusive licence for next generation cell identification and selection technology for high potency secreting stem cells developed at Macquarie University node of Centre for Nanoscale Biophotonics
- Secured ARC linkage grant funding for collaborative research with Macquarie University and University of Adelaide into treating chronic pain with stem cells
- Collaboration with CSIRO on manufacture scale-up technologies for Progenza and Secretions
- Improvements to cell growth media to enhance cell yield for Progenza and Secretions
- Optimised Secretions formulation

Key patents granted

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- Patent granted in Australia covering cancer vaccine technology for the treatment of cancers in humans (RGSH4K) and animals (Kvax)

A more detailed review of operational highlights is set out in the Report from the Chairman and CEO.

Financial review

Operating results

The Group's loss for the year, after income tax, at $3.6 million was significantly better than the prior year of $6.6 million. The loss includes the R&D tax incentive of $2.7 million (FY15 $3.4 million).

The improvement in the results reflects the shift in strategic focus to clinical development of the Group's key programs rather than early commercialisation activities for HiQCell.

The results were better than expectations with 'cash burn' being maintained below the $1.7 million quarterly target throughout the entire year. The tighter expenditure controls had minimal impact on the delivery of the clinical and research strategic imperatives.

Revenue and margin

Licence fee income

Licence fee income increased by almost 35% to $1.2 million. The ongoing fees for the use of Regeneus technology in research and early commercialisation opportunities remain an important source of revenue and highlight the interest from key R&D partners and the depth of the relationships. Additionally, during the year, the group received a licence option fee for CryoShot from a top 5 animal pharmaceutical company.

Income from sale of goods

The revenue from the sale of goods declined by 44% to $0.52 million. This reflects the move away from early stage commercial activities for HiQCell and field trial activities for CryoShot to a focus on targeted clinical research programs in Progenza, CryoShot, RGSH4K, Kvax and Secretions.

Gross profit increased in the year to $1.59 million up from $1.15 million, an increase of 38%. This increase is due to the higher margin licence arrangements and also driven by the reduction in HiQCell activities and CryoShot field trial expenses.

	2016 $'000	2015 $'000
Operating activities		
Licence fee income	1,219	900
Income from sale of goods	517	920
Interest received	142	241
Total revenue	**1,878**	**2,061**

Expenditure

Research and development expenses

Research and development activities include staff and other costs associated with product research, preliminary manufacture and the conduct of clinical trials for the company's products for humans and animals. Expenditure for the year was $4.3 million, a slight decline on FY15 $4.9 million and that was more reflective of the costs of the current clinical trials being lower than the prior year when the manufacture of Progenza for the Phase 1 trial was incurring significant internal and external costs.

In line with the Group's policy and to comply with the accounting standards, all costs associated with research and development are fully expensed in the period in which they are incurred. The Directors do not consider the Group can demonstrate all the requirements of the accounting standards to capitalise development expenditure.

Selling expenses

In FY15, there was a planned reduction in commercialisation activities of HiQCell and the business focus was one of undertaking clinical trials. There were significant marketing costs associated with the commercialisation activities of prior years and they have now declined materially. Selling and marketing expenses of $375k were 78% less than the prior year and this is expected to be consistent in FY17.

Occupancy costs

Occupancy costs at $473k were 38% below prior year expenditure due to the consolidation and reduction of leased premises associated with in-clinic manufacturing of HiQCell. The costs incurred are now predominantly associated with leasing the corporate head office at Pymble and the utility costs of these premises.

Corporate expenses

The reduction of corporate expenses was in excess of 28% to $2.7 million from the previous year (FY15 $3.8 million) This is a key benefit of the strategic changes taken throughout FY15.

	2016 $'000	2015 $'000	Movement $'000
Research and development	4,309	4,945	(636)
Selling	375	1,678	(1,303)
Occupancy	473	757	(284)
Corporate	2,730	3,814	(1,084)
Finance costs	20	56	(36)
Total expenses	**7,907**	**11,250**	**(3,343)**

Cash flows

The net cash inflows for the period were:

	2016 $'000	2015 $'000
Net cash (used in) operating activities	(2,253)	(5,923)
Net cash provided by (used in) investing activities	(231)	260
Net cash provided by (used in) financing activities	-	6,168
Net change in cash and cash equivalents held	(2,484)	505

Operating activities – cash used in operating activities was significantly reduced from the prior year and excluding the benefit of the R&D incentive, the cash outflow from operations was $5.7 million compared to FY15 $9.7 million. While 2015 included one off costs as part of the implementation of the strategic review they were less than $1.3 million in cash. The cash benefits of the strategic review contributed the majority of the reduction in the cash outflow.

Investing activities – the underlying cash used in investing activities is similar year on year with the difference represented by in excess of $0.4 million of deposits maturing that secured the premises lease fitout payments.

Financing activities – 2015 cash provided by investing activities was a capital raising.

Overall the quarterly 'operational cash burn' in 2016 of $1.48 million per quarter is a significant improvement over 2015 $2.35 million per quarter.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the reporting period.

Changes in accounting policy

There were no changes in accounting policy during the reporting period.

Events subsequent to the reporting period

In the period since 30 June 2016 to the signing of the financial report, a material loan facility has been secured. The details of this arrangement are as follows:

On July 1 2016, the company entered into an R&D funding arrangement with Sherman Group Pty Ltd, a related party. The facility forward funds, via a loan, the Federal Government's research and development tax incentive for FY16. The loan is secured over the tax incentive receipt and as a first ranking charge over the Group's property. The facility allows the company to draw down the lower of $2.0 million or 80% of the anticipated claim. At the time of implementing the facility, the R&D incentive was estimated at $2.5 million. The claim has now been lodged at $2.73 million. At the date of this report, $750k of the facility has been drawn down and depending upon the timing of the tax incentive, another $750k is anticipated as being drawn down. Full repayment of the loan is anticipated to be completed by the end of September.

Apart from the above, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the entity's operations in future financial years, the results of those operations in future financial years or the entity's state of affairs in future financial years.

Likely developments, business strategies and prospects

FY17 and FY18 will provide critical foundations for the long term success of Regeneus. The following activities and business initiatives will be core elements of the strategic deliverables required for that success:

- Secure manufacturing and commercial partner for Progenza technology in Japan - Q1 FY17
- Advance clinical partnering discussions for Progenza in Japan and other territories
- Commence donor procurement in preparation for Progenza manufacture for Phase 2 trial in Japan - Q1 FY17
- Commence ARC linkage project on stem cells for chronic pain - Q2 FY17
- Initiate preclinical and clinical trials for secretions technology - H1 FY17
- Complete recruitment and report on ACTIVATE cancer vaccine trial - H2 FY17
- Report on Progenza osteoarthritis STEP trial - H2 FY17
- Report on CryoShot canine pre-pivotal trial - H2 FY17

Directors' meetings

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

Directors' name	Board meetings		Audit and risk committee		Remuneration and nominations charter	
Directors' name	**A**	**B**	**A**	**B**	**A**	**B**
Roger Aston	9	7	2	-	1	1
John Martin	9	9	2	2	1	1
Graham Vesey	9	9	-	-	-	-
Barry Sechos	9	9	2	2	1	1
Glen Richards	9	6	-	1[1]	-	-

Column A is the number of meetings the director was entitled to attend.
Column B is the number of meetings the director did attend.
[1] Glen Richards attended an Audit and Risk Committee meeting as an alternate for Roger Aston.

Dividends paid or recommended

No dividends have been paid or declared since the start of the financial year (2015: Nil).

4. Unissued shares under option

Unissued ordinary shares of Regeneus Ltd under option at the date of this report are:

Date of granting	Expiry date	Exercise price of option $	Number under option
01/07/2010	28/06/2020	0.136	770,100
01/01/2011	29/12/2020	0.136	462,060
21/02/2011	18/02/2021	0.136	1,001,674
01/07/2011	28/06/2021	0.280	500,000
16/09/2013	15/09/2018	0.250	4,323,210
04/12/2013	03/12/2018	0.250	1,715,000
21/10/2014	20/10/2019	0.160	900,000

During 2016, no unlisted options were issued.

All unexercised, vested options expire on the earlier of their expiry date or within a period set out in the plans. These options were issued under the Employee Share Option Plan and Option Trust Share plans, and have been allotted to individuals on condition that they meet the agreed milestones before the options vest.

As part of the IPO, 12,740,252 employee options, that had an exercise price of less than 20 cents, were exercised prior to the listing on the 19 September 2013. These were financed by a full recourse loan provided by the Company to the option holders.

5. Shares issued during or since the end of the year as a result of exercise of options

During or since the end of the year, no shares were issued by the Company as a result of the exercise of options (2015: Nil).

6. Remuneration report (audited)

The Directors of the Group present the Remuneration Report for Executive Directors, Non-executive Directors and other key management personnel prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration
b. Details of remuneration
c. Service agreements
d. Share-based remuneration
e. Bonuses and
f. Other information

a. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are to:

- Align rewards to business outcomes that deliver value to shareholders
- Drive a high performance culture by setting challenging objectives and rewarding high performing individuals
- Ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent

Regeneus has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Remuneration and Nominations Committee which operates in accordance with its charter as approved by the Board and is responsible for making recommendations to the Board for reviewing and approving compensation arrangements for the Directors and the Executive team.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration being annual salary
- Short and long term incentives, being employee bonuses and options

The Remuneration and Nominations Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

All bonuses, options and incentives are linked to predetermined performance criteria.

Short term incentive (STI)

Regeneus performance measures involve the use of annual performance objectives, metrics, and performance appraisals.

The performance measures are set annually after consultation with the Directors and Executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The KPIs for the Executive team are summarised as follows:

Performance area:

- Financial - operating results
- Non-financial - strategic goals set for each individual

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs and extraordinary achievements.

Voting and comments made at the Company's last Annual General Meeting

Regeneus received 12,140,896 'For' votes on its Remuneration Report for the financial year ending 30 June 2015 (2014: 32,601,677). The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and the previous six (6) financial years:

Item	2016	2015	2014	2013	2012	2011
EPS (cents)	(0.017)	(0.032)	(0.05)	(0.05)	(0.03)	(0.01)
Dividends (cents per share)	$0	$0	$0	$0	$0	$0
Net (loss) ($000)	(3,574)	(6,607)	(7,523)	(5,195)	(3,261)	(1,093)
Share price ($)	$0.14	$0.15	$0.40	$0.25*	n/a	n/a

*$0.25 share price on listing 19 September 2014.

b. Details of remuneration

Details of the nature and amount of each element of key management personnel (KMP) remuneration are shown in the table below:

		Short term employee benefits				Post employment benefits	Long term benefits	Termination benefits	Share-based payments		% of remuneration that is performance based
Executive Directors		**Cash salary and fees $**	**Cash bonus $**	**Back pay of Directors' fees $**	**Non-monetary benefits $**	**Superannuation $**	**Other long term benefits $**	**Termination payments $**	**Options $**	**Total $**	
John Martin	2016	304,679	-	-	-	28,944	11,637	-	-	345,260	0%
	2015	304,679	150,000	-	-	28,944	10,233	-	62,324	556,180	38%
Graham Vesey	2016	200,000	-	-	-	19,000	19,611	-	-	238,611	0%
	2015	261,063	140,000	-	-	24,801	(7,514)	-	62,324	480,674	42%
Non-executive Directors											
Roger Aston	2016	71,204	-	-	-	3,796	-	-	-	75,000	0%
	2015	67,165	-	-	-	5,194	-	-	-	72,359	0%
Barry Sechos	2016	45,000	-	-	-	-	-	-	-	45,000	0%
	2015	45,000	-	-	-	-	-	-	-	45,000	0%
Glen Richards Appointed 1/4/15	2016	45,000	-	-	-	-	-	-	-	45,000	0%
	2015	11,250	-	-	-	-	-	-	-	11,250	0%
Ben Herbert Resigned 10/11/14	2016	-	-	-	-	-	-	-	-	-	0%
	2015	45,833	-	-	-	-	-	-	-	45,833	0%
2016 Total		**665,883**	**-**	**-**	**-**	**51,740**	**31,248**	**-**	**-**	**748,871**	**0%**
2015 Total		**734,990**	**290,000**	**-**	**-**	**58,939**	**2,719**	**-**	**124,648**	**1,211,296**	**34%**

Other long term benefits include the movement in the annual leave provision and long service leave provision in accordance with AASB 119 Employee Benefits. Where the provision is reduced due to leave taken exceeding leave accrued the movement is negative.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk - STI	At risk - options
John Martin	100%	-	-
Graham Vesey	100%	-	-
Roger Aston	100%	-	-
Barry Sechos	100%	-	-
Glen Richards	100%	-	-
Ben Herbert	100%	-	-

c. Service agreements

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary $	Term of agreement	Notice period
John Martin	304,679	Unspecified	Three months
Graham Vesey	200,000	Unspecified	Three months
Roger Aston	75,000	Unspecified	Nil
Barry Sechos	45,000	Unspecified	Nil
Glen Richards	45,000	Unspecified	Nil

There are no termination payments provided for in these agreements, other than those required by statute.

d. Share-based remuneration

Options granted over unissued shares.

All options are for ordinary shares in the Company, and are exercisable on a one-for-one basis.

The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date or within the time period set out in the plan, from termination of the individual's employment.

Details of options over ordinary shares in the Company that were granted as remuneration to each key management personnel are set out below.

Name	Number granted	Grant date	Value per option at grant date $	Number vested	Number lapsed	Exercise price $	First exercise date	Last exercise date
Graham Vesey	714,285	16/09/2013	0.1561	714,285	-	0.25	01/07/2013	15/09/2018
Graham Vesey	714,285	16/09/2013	0.1561	714,285	-	0.25	30/06/2014	15/09/2018
Graham Vesey	714,285	16/09/2013	0.1561	714,285	-	0.25	30/06/2015	15/09/2018
John Martin	714,285	16/09/2013	0.1561	714,285	-	0.25	30/06/2013	15/09/2018
John Martin	714,285	16/09/2013	0.1561	714,285	-	0.25	30/06/2014	15/09/2018
John Martin	714,285	16/09/2013	0.1561	714,285	-	0.25	30/06/2015	15/09/2018
Wild Rose Pty Ltd - John Martin	37,500	16/09/2013	0.1561	37,500	-	0.25	11/09/2013	15/09/2018
John Martin	500,000	01/07/2011	0.1758	500,000	-	0.28	31/12/2011	28/06/2021

The following options over ordinary shares in the Company were forfeited (lapsed) during the year:

Name	Number of options forfeited (lapsed) during the year
John Martin	Nil
Graham Vesey	Nil
Roger Aston	Nil
Barry Sechos	Nil
Glen Richards	Nil
Ben Herbert	Nil

e. Bonuses included in remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

Name	Included in remuneration $	Percentage vested in year	Percentage forfeited in year
John Martin	-	-	-
Graham Vesey	-	-	-
Roger Aston	-	-	-
Barry Sechos	-	-	-
Glen Richards	-	-	-
Ben Herbert	-	-	-

f. Other information

Options held by key management personnel

The number of options to acquire shares in the Company held during the 2016 reporting period by each of the key management personnel of the Group, including their related parties are set out below.

Year ended 30 June 2016							
Name	Balance at start of year	Granted as remuneration	Exercised	Other changes	Balance at end of year	Vested and exercisable at the end of the reporting period	Vested and un-exercisable at the end of the reporting period
John Martin	2,808,560	-	-	(128,205)	2,680,355	2,680,355	-
Graham Vesey	2,271,061	-	-	(128,206)	2,142,855	2,142,855	-
Roger Aston	-	-	-	-	-	-	-
Barry Sechos	-	-	-	-	-	-	-
Glen Richards	-	-	-	-	-	-	-
Totals	**5,079,621**	**-**	**-**	**(256,411)**	**4,823,210**	**4,823,210**	**-**

Other changes refers to unlisted options over ordinary shares issued in conjunction with the private placement of August 2014. These options were not exercised and expired on 15 August 2015.

Shares held by key management personnel

The number of ordinary shares in the Company during the 2016 reporting period held by each of the Group's key management personnel, including their related parties, are set out below:

Year ended 30 June 2016					
Name	Balance at start of year	Granted as remuneration	Received on exercise	Purchased	Held at the end of the reporting period
John Martin	7,253,908	-	-	-	7,253,908
Graham Vesey	15,879,968	-	-	-	15,879,968
Roger Aston	51,179	-	-	-	51,179
Barry Sechos	-	-	-	-	-
Glen Richards	2,333,333	-	-	-	2,333,333
Totals	**25,518,388**	**-**	**-**	**-**	**25,518,388**

End of audited remuneration report.

7. Environmental legislation

Regeneus operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

8. Indemnities given to auditors and officers and insurance premiums paid

During the year, Regeneus paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

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 Group, 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 to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

9. Non-audit services

From time to time, Grant Thornton, the Group's auditors, perform certain other services in addition to their statutory audit duties. The Board considers any non-audit services provided during the year by the auditor and satisfies itself that the provision of these non-audit services during the year is compatible with, and does not compromise, the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid to the auditors of the Group, Grant Thornton Audit Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out in Note 23 to the Financial Statements.

10. Proceedings on behalf of the Group

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21 and forms part of this Directors' report.

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

John Martin
CEO and Executive Director
Dated this day 24 August 2016

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Regeneus Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Regeneus Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

LWorsley.

L M Worsley
Partner - Audit & Assurance

Sydney, 24 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

03 Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Regeneus Ltd and its controlled entities (the Group) have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's corporate governance statement for the financial year ending 30 June 2016 is dated as at 30 June 2016 and was approved by the Board on 24 August 2016. The corporate governance statement is available on Regeneus' website at:

regeneus.com.au/investor-centre/corporate-governance

04 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016			
	Note	2016 $	2015 $
Revenue	6	1,877,759	2,061,094
Cost of sales		(291,743)	(915,399)
Gross profit		**1,586,016**	**1,145,695**
Other income	6	2,746,943	3,498,045
Research and development expenses		(4,309,379)	(4,945,183)
Selling expenses		(374,611)	(1,677,794)
Occupancy expenses		(472,600)	(757,306)
Corporate expenses		(2,730,343)	(3,814,532)
Finance costs	7	(19,899)	(55,446)
Loss before income tax		**(3,573,873)**	**(6,606,521)**
Income tax benefit	22	-	-
Loss for the year		**(3,573,873)**	**(6,606,521)**
Other comprehensive (expense) / income		-	(1,154)
Total comprehensive loss for the year		**(3,573,873)**	**(6,607,675)**
Earnings per share			
Basic earnings per share			
Earnings per share from continuing operations	24	(0.017)	(0.032)
Diluted earnings per share			
Earnings per share from continuing operations	24	(0.017)	(0.032)

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

Consolidated statement of financial position as at 30 June 2016			
	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	8	528,670	3,012,812
Trade and other receivables	9	21,774	66,571
Inventories	10	30,076	98,975
Current tax assets	11	2,732,110	3,417,566
Other current assets	12	190,054	532,458
Total current assets		**3,502,684**	**7,128,382**
Non-current assets			
Property, plant and equipment	13	801,562	891,883
Intangible assets	14	11,254	26,110
Other non-current assets	15	1,619,307	1,532,886
Total non-current assets		**2,432,123**	**2,450,879**
Total assets		**5,934,807**	**9,579,261**
Current liabilities			
Trade and other payables	16	906,312	781,101
Provisions	17	99,273	109,868
Other current liabilities	18	-	368,570
Total current liabilities		**1,005,585**	**1,259,539**
Non-current liabilities			
Provisions	17	144,482	47,588
Total non-current liabilities		**144,482**	**47,588**
Total liabilities		**1,150,067**	**1,307,127**
Net assets		**4,784,740**	**8,272,134**
Equity			
Issued capital	19.1	31,076,819	31,076,819
Retained earnings / (accumulated losses)		(27,916,645)	(25,295,813)
Reserves	19.2	1,624,566	2,491,128
Total equity		**4,784,740**	**8,272,134**

Note: This statement should be read in conjunction with the notes to the financial statements.

06 Consolidated Statement of Changes in Equity

For year ended 30 June 2016	Share capital $	Share option reserve $	Retained earnings $	Foreign currency translation reserve $	Total attributable to parent owners $	Total equity $
Balance at 1 July 2014	**24,908,920**	**2,190,377**	**(18,792,423)**	**1,154**	**8,308,028**	**8,308,028**
Reported loss for the year	-	-	(6,606,521)	-	(6,606,521)	(6,606,521)
Reported other comprehensive income (expense)	-	-	-	(1,154)	(1,154)	(1,154)
Employee share-based payment option expense	-	403,882	-	-	403,882	403,882
Shares issued on exercise of options	-	-	-	-	-	-
Transfer to share capital for options exercised	-	-	-	-	-	-
Issue of share capital - net of transaction costs	6,167,899	-	-	-	6,167,899	6,167,899
Transfer from reserves to retained earnings for options forfeited	-	(103,131)	103,131	-	-	-
Balance at 30 June 2015	**31,076,819**	**2,491,128**	**(25,295,813)**	**-**	**8,272,134**	**8,272,134**
Balance at 1 July 2015	**31,076,819**	**2,491,128**	**(25,295,813)**	**-**	**8,272,134**	**8,272,134**
Reported loss for the year	-	-	(3,573,873)	-	(3,573,873)	(3,573,873)
Reported other comprehensive income (expense)	-	-	-	-	-	-
Employee share-based payment option expense	-	86,479	-	-	86,479	86,479
Shares issued on exercise of options	-	-	-	-	-	-
Transfer to share capital for options exercised	-	-	-	-	-	-
Issue of share capital - net of transaction costs	-	-	-	-	-	-
Transfer from reserves to retained earnings for options forfeited	-	(953,041)	953,041	-	-	-
Balance at 30 June 2016	**31,076,819**	**1,624,566**	**(27,916,645)**	**-**	**4,784,740**	**4,784,740**

Note: This statement should be read in conjunction with the notes to the financial statements.

07 Consolidated Statement of Cash Flows

For year ended 30 June 2016	Note	2016 $	2015 $
Operating activities			
Receipts from customers		1,931,268	2,070,083
Payments to suppliers and employees		(7,637,200)	(11,902,514)
Interest received		55,021	153,465
Other income		-	80,479
R&D tax refund		3,417,566	3,730,576
Finance costs		(19,899)	(55,446)
Net cash (used in) operating activities	**25**	**(2,253,244)**	**(5,923,357)**
Investing activities			
Investment in short term deposit		-	127,754
Purchase of property, plant and equipment		(249,670)	(193,017)
Receipts from sale of property, plant and equipment		18,772	8,237
Purchase of intangibles		-	(14,841)
Deposits		-	332,640
Net cash (used in)/provided by investing activities		**(230,898)**	**260,773**
Financing activities			
Proceeds from issue of shares		-	6,167,899
Net cash provided by financing activities		**-**	**6,167,899**
Net change in cash and cash equivalents held		(2,484,142)	505,315
Cash and cash equivalents at beginning of financial year		3,012,812	2,507,497
Cash and cash equivalents at end of financial year	**8**	**528,670**	**3,012,812**

Note: This statement should be read in conjunction with the notes to the financial statements.

1. Nature of operations

Regeneus is a Sydney-based ASX listed clinical-stage regenerative medicine company that develops innovative cell-based therapies for human and animal health markets, with a focus on osteoarthritis and musculoskeletal disorders as well as oncology and dermatology diseases. The portfolio of therapeutic products is being developed using the Company's proprietary stem cell and immuno-oncology technology platforms.

Regenerative medicine is a rapidly growing multidisciplinary specialty that is focused on the repair or regeneration of cells, tissues and organs. The primary goal is to enhance the body's natural ability to replace tissue damaged or destroyed by injury or disease.

Where commercial opportunities are identified, the Group seeks to license appropriate parties.

2. General information and statement of compliance

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

Regeneus is a for-profit entity for the purpose of preparing the financial statements.

The financial statements cover Regeneus and its controlled entities as a consolidated entity (The Group). As at the 30 June 2016, Regeneus is a Public Group, incorporated and domiciled in Australia.

The address of its registered office and its principal place of business is 25 Bridge St., Pymble, NSW 2073, Australia.

Statement of compliance

Compliance with Australian Accounting Standards ensures that the financial statements and notes of Regeneus comply with International Financial Reporting Standards (IFRS) as issued by the IASB.

The consolidated financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on 24 August 2016.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2015. Information on these new standards is presented below.

AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

AASB 2015-4 amends AASB 128 *Investments in Associates and Joint Ventures* to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 *Consolidated Financial Statements* for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of this amendment has not had a material impact on the Group.

Accounting standards issued but not yet effective and not adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

AASB 9 Financial Instruments (applicable for annual reporting periods beginning on or after 1 January 2018)

The standard introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are:

a. Financial assets that are debt instruments will be classified based on:
   i. The objective of the Group's business model for managing the financial assets
   ii. The characteristics of the contractual cash flows
b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
e. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:
   - The change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
   - The remaining change is presented in profit or loss

   If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have been carried forward unchanged from AASB 139 into AASB 9:
   - Classification and measurement of financial liabilities
   - De-recognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 1057 Application of Australian Accounting Standards

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 *Application of Australian Accounting Standards*.

When this Standard is first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15:

- Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations
- Establishes a new revenue recognition model
- Changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- Provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- Expands and improves disclosures about revenue

In May 2015, the AASB issued ED 260 *Income of Not-for-Profit Entities*, proposing to replace the income recognition requirements of AASB 1004 *Contributions* and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 16 Leases

AASB 16:

- Replaces AASB 117 Leases and some lease-related interpretations
- Requires all leases to be accounted for 'on-balance sheet' be lessees, other than short-term and low value asset leases
- Provides new guidance on the application of the definition of lease and on sale and lease back accounting
- Largely retains the existing lessor accounting requirements in AASB 117
- Requires new and different disclosures about leases

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the likely impact on the first time adoption of the Standard for the 30 June 2020 includes:

- There will be a significant increase in lease assets and financial liabilities recognised on the balance sheet
- The reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged)
- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.

The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

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

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:

- Clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- Clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- Add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- Clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- Remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

3. Summary of accounting policies

Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by the Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the following accounting policies.

a. Basis of consolidation

A controlled entity is any entity that Regeneus has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 4 to the financial statements. All controlled entities have a June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. All inter-Group balances and transactions between entities in the Group have been eliminated on consolidation.

b. 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.

The Group's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the CODM) in assessing performance and determining the allocation of resources. In previous periods the Group reported segments of Human Health and Veterinary Health. This segregation of information provided no benefit to the CODM. Reports provided to the CODM reference the Group operating in one segment, being the development of innovative cell-based therapies to address significant unmet medical needs in human and veterinary health. Initial focus is osteoarthritis and other musculoskeletal disease as well as oncology and dermatology. The information reported to the CODM, on a monthly basis, is profit or loss before tax, assets and liabilities and cash flow.

c. Going concern basis of accounting

The Group incurred a loss after income tax of $3,573,873 (2015: $6,606,521), had net cash outflows from operating activities of $2,253,244 (2015: $5,923,357) for the year ended 30 June 2016 and has accumulated losses of $27,940,042 as at 30 June 2016 (2015: $25,295,813). Notwithstanding the losses incurred and negative operating cash flows, the Directors have prepared the financial statements on a going concern basis which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business. As at 30 June 2016 Regeneus had positive net assets.

Subsequent to year-end the Directors have put in place a short term funding facility of up to $2.0 million (obtained from a related party, see note 33 Subsequent Events) secured over the Federal Government's R&D tax incentive and as a first ranking charge over the Group's property. Additionally, the Directors are expecting, by the end of Q1 FY17, that the Group will be well placed to enter into its first significant partnering agreement in Japan that provides upfront funding and future payments contributing to the Group's funding requirements for the next 18 months. The Directors continue to have a number of additional strategies available to maintain the Group in a positive cash flow position including further product licensing, funding of R&D or raising additional capital, including issuance of securities.

Should the above transactions or assumptions not materialise, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements.

d. Comparative figures

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

e. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

f. Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

g. Inventories

Inventories are measured at the lower of cost and net realisable value. The average cost method has been used to value inventory. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

h. Plant and equipment

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

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

i. Depreciation

The depreciable amount of fixed assets are depreciated on either a straight line or reducing balance basis over their useful lives to the Consolidated entity commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates generally used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
Office equipment straight line	25% - 50%
Laboratory equipment straight line	20% - 30%
Office fit-out straight line	life of lease
Leasehold improvements straight line	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

j. Intangibles

Intangible assets include acquired software. Intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a reducing balance basis over their estimated useful lives, as these assets are considered finite. Amortisation commences from the date the asset is brought into use. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Subsequent expenditure is expensed as incurred.

Costs associated with maintaining intangibles are expensed as incurred.

The amortisation rate used for acquired software is 25% straight line.

The Group has reviewed its policy not to capitalise development costs unless they meet the criteria as set in AASB 138. All development costs not meeting these criteria are expensed.

k. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (i.e. intangible assets with indefinite useful lives and intangible assets not yet available for use), the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

To determine the value-in-use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

l. Leases
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

m. Foreign currency transactions and balances
Functional and presentation currency
The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

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

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

n. Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter-party will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter-party and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counter-play default rates for each identified group.

Financial liabilities
The Group's financial liabilities include trade and other payables, and finance lease obligations.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

o. Equity and reserves
Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:
- Option reserve. Comprises equity settled share-based remuneration plans for the Group's employees
- Retained earnings/(Accumulated losses) include all current and prior period retained profits/(losses)

p. Employee benefits
Short-term employee benefits
Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Post-employment benefit plans
The Group provides post-employment benefits through various defined contribution and defined benefit plans.

Defined contribution plans
The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

q. Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, make good obligations, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

r. Share-based employee remuneration

The Group operates equity settled share-based remuneration plans for its employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted.

This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

s. Revenue

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Consolidated Group. Revenue is measured at the fair value of the consideration received or receivable. Licence fee revenue is recognised on a straight line basis over the period that the licence covers.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue relating to the provision of services is recognised when the services are provided.

Interest revenue is recognised using the effective interest rate method. All revenue is stated net of the amount of goods and services tax (GST).

t. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

u. Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. The research and development tax incentive is calculated and accrued at year end and is recognised in accordance with 'AASB 120 Accounting for Government Grants'. The amount is credited to other income and the receivable is included in the Consolidated Statement of Financial Position as a current tax asset.

v. Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

w. Significant management judgements and estimates in applying accounting policies

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided over the page. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date.

Share options and performance rights

Share options were valued using a variation of the binomial option pricing model. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. For purposes of the valuation the assumed life of the options was based on the historical exercise patterns, which may not eventuate in the future. No special features inherent to the options granted were incorporated into measurement of fair value.

x. Research and development claim

The Group's research and development activities are eligible expenditure under the Australian Government tax incentive. Management has assessed these activities and expenditures to determine which are likely to be eligible under the incentive scheme. At each period end, management estimates the refundable tax offset available to the Group based on current information. This estimate is also reviewed by external tax advisors. For the years ended 30 June 2016 and 2015, the Group has recognised income of $2.7 million and $3.4 million respectively. Refer note 6.

4. Controlled entities

Set out below are details of the subsidiaries held directly by the Group.

Name of the subsidiary	Country of incorporation & principal place of business	Principal activity	Group proportion of ownership interests	
			30 June 2016	30 June 2015
Regeneus Animal Health Pty Ltd	Australia - 25 Bridge Street, Pymble NSW 2073	Non trading	100%	100%
Cell Ideas Pty Ltd	Australia - 25 Bridge Street, Pymble NSW 2073	Non trading - owns various IP	100%	100%
Regeneus South East Asia Pte Ltd - incorporated on 24th February 2014	Singapore - 4 Sussex Gardens, Singapore	No longer trading	100%	100%

Regeneus South East Asia Pte Ltd was dormant throughout FY16 and struck off 17 March 2016.

5. Segment reporting

Identification of reportable income segments

The Group's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources.

Following a reassessment of the information provided to the CODM, it has been concluded that the Group operates in only one segment, being the development of innovative cell-based therapies to address significant unmet medical needs in human and veterinary health. Comparative information has been restated in line with the current operating segment.

The segment result is as shown in the statement of profit or loss and other comprehensive income. Refer to statement of financial position for assets and liabilities.

6. Revenue

	2016 $	2015 $
Operating activities		
Licence fee income	1,218,896	900,000
Income from sale of goods	516,566	920,353
Interest received	142,297	240,741
Total revenue	**1,877,759**	**2,061,094**
Other income		
Grant income	-	80,479
R&D tax incentive	2,732,110	3,417,566
Other income: Gain on sale of property, plant and equipment	14,833	-
Total other income	**2,746,943**	**3,498,045**

7. Results for the year

The results for the year have been arrived at after charging the following items:

	2016 $	2015 $
a. Expenses		
Cost of sales	291,743	915,399
Rental expense on operating leases - minimum lease payment	343,251	621,987
Amortisation of intangible assets	14,856	18,732
Depreciation	335,903	385,983
Loss on disposal of assets	148	270,468
Employment expenses (excludes share-based payment)	2,578,156	4,737,554
Superannuation expense	246,472	357,278
Share-based payments	86,479	403,882
b. Finance costs		
- Interest expense	14,597	22,397
- Bank charges	5,302	33,049
Total finance costs	**19,899**	**55,446**

8. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2016 $	2015 $
Cash on hand	38	163
Cash at bank (AUD account)	459,141	3,011,862
Cash at bank (USD account)	69,391	-
Cash at bank (SGD account)	-	787
Total cash and cash equivalents	**528,570**	**3,012,812**

9. Trade and other receivables

Trade and other receivables consist of the following:

	2016 $	2014 $
Trade receivables	21,774	66,571
Total trade and other receivables	**21,774**	**66,571**

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment of which none were noted.

10. Inventories

Inventories consist of the following:

	2016 $	2015 $
Raw materials and consumables at cost	76,076	144,975
Less: Provisions	(46,000)	(46,000)
Total inventories	**30,076**	**98,975**

11. Current tax asset

	2016 $	2015 $
Current		
R&D tax refund receivable	2,732,110	3,417,566
Total current tax asset	**2,732,110**	**3,417,566**

12. Other current assets

	2016 $	2015 $
Other current assets		
Prepayments	32,799	71,970
Security deposits	52,804	368,743
GST receivable	74,377	77,937
Other receivables	30,074	13,808
Total other current assets	**190,054**	**532,458**

13. Plant and equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Office equipment $	Lab equipment $	Equipment in clinics $	Office fitout $	Total $
Gross carrying amount					
Balance 1 July 2015	108,051	352,879	106,142	972,265	1,539,337
Additions	3,995	49,275	-	196,400	249,670
Disposals	(982)	(2,958)	(3,225)	-	(7,165)
Balance 30 June 2016	**111,064**	**399,196**	**102,917**	**1,168,665**	**1,781,842**
Depreciation and impairment					
Balance 1 July 2015	(71,010)	(239,658)	(54,516)	(282,270)	(647,454)
Disposals	102	1,700	1,275	-	3,077
Depreciation	(19,699)	(58,435)	(22,514)	(235,255)	(335,903)
Balance 30 June 2016	**(90,607)**	**(296,393)**	**(75,755)**	**(517,525)**	**(980,280)**
Carrying amount 30 June 2016	**20,457**	**102,803**	**27,162**	**651,140**	**801,562**
Gross carrying amount					
Balance 1 July 2014	204,176	415,509	317,852	972,265	1,909,802
Additions	17,477	36,326	13,825	125,389	193,017
Disposals	(113,602)	(98,956)	(225,535)	(125,389)	(563,482)
Balance 30 June 2015	**108,051**	**352,879**	**106,142**	**972,265**	**1,539,337**
Depreciation and impairment					
Balance 1 July 2014	(116,537)	(228,344)	(109,302)	(94,090)	(548,273)
Disposals	83,121	67,397	136,284	-	286,802
Depreciation	(37,594)	(78,711)	(81,498)	(188,180)	(385,983)
Balance 30 June 2015	**(71,010)**	**(239,658)**	**(54,516)**	**(282,270)**	**(647,454)**
Carrying amount 30 June 2015	**37,041**	**113,221**	**51,626**	**689,995**	**891,883**

The Company exercised an option to acquire the fit-out premises at the end of the finance lease in January 2016 for $150,000.

14. Intangible assets

Details of the Group's intangible assets and their carrying amounts are as follows:

	Acquired software licenses $	Total $
Gross carrying amount		
Balance at 1 July 2015	82,561	82,561
Addition, separately acquired	-	-
Balance at 30 June 2016		
Amortisation and impairment		
Balance at 1 July 2015	(56,451)	(56,451)
Amortisation	(14,856)	(14,856)
Balance at 30 June 2016	**71,307**	**71,307**
Carrying amount 30 June 2016	**11,254**	**11,254**
Gross carrying amount		
Balance at 1 July 2014	67,720	67,720
Addition, separately acquired	14,841	14,841
Balance at 30 June 2015	**82,561**	**82,561**
Amortisation and impairment		
Balance at 1 July 2014	(37,719)	(37,719)
Amortisation	(18,732)	(18,732)
Balance at 30 June 2015	**(56,451)**	**(56,451)**
Carrying amount 30 June 2015	**26,110**	**26,110**

15. Other non-current assets

	2016 $	2015 $
Non-current		
Shareholder loan	1,409,307	1,322,031
Security deposits	210,000	210,000
Other non-current assets	-	855
Total other non-current assets	**1,619,307**	**1,532,886**

The shareholder loan is a full recourse, interest free, loan for 4 years, maturing July 2017.

Included within the shareholder loan are balances owing by the Directors as follows:

	2016 $	2015 $
John Martin	295,925	295,925
Graham Vesey	150,552	150,552

16. Trade and other payables

Trade and other payables consists of the following:

	2016 $	2015 $
Current		
Trade payables	539,430	453,349
Accruals	188,100	256,096
PAYG payable	178,782	71,656
Total trade and other payables	**906,312**	**781,101**

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

16.1 Foreign currency risk

The carrying amount of trade and other payables denominated in the foreign currencies is:

	2016 $	2015 $
US dollar	59,875	67,878
GBP	-	13,412

17. Provisions

	2016 $	2015 $
Current: Annual leave		
Opening balance 1 July	109,868	167,751
Benefits accrued (expensed)	(10,595)	(57,883)
Balance as at 30 June	**99,273**	**109,868**
Non-current: Long service leave		
Opening balance 1 July	47,588	-
Benefits accrued	46,594	47,588
Balance as at 30 June	**94,182**	**47,588**
Non-current: Make good		
Opening balance 1 July	-	-
Provision accrued	50,300	-
Balance as at 30 June	**50,300**	**-**
Total non-current provisions	**144,482**	**47,588**

During the current financial year a provision for the estimated cost for the make good of the operating lease was recorded. The provision relates to the expected future cost and is based on management's best estimate of the cost to restore the leased premises to their agreed pre-fitout state at the expiration of the lease agreement.

18. Other liabilities

	2016 $	2015 $
Current		
Deferred income	-	115,200
Lease liability	-	253,370
Total other current liabilities	**-**	**368,570**

19. Equity

19.1 Share capital

The share capital of Regeneus Ltd consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote at the shareholders' meeting of Regeneus Ltd.

	2016 shares	2015 shares	2016 $	2015 $
Shares issued and fully paid				
Beginning of the year	208,885,143	184,393,077	31,076,819	24,908,920
Shares issued	-	24,492,066	-	6,167,899
Closing balance at the end of the year	**208,885,143**	**208,885,143**	**31,076,819**	**31,076,819**

During 2016, no shares or options were issued. The 3,846,154 unlisted options issued during 2015 expired on 15 August 2015.

In 2015, 24,492,066 shares at $0.26 and 3,846,154 unlisted options at $0.40, were issued as part of a capital raising program. Issue costs (2015: $200,056) associated with the issue of shares have been directly paid from the proceeds of the issues. These costs have been deducted from the issued capital in the statement of financial position, rather than charged as an expense of the Group, as they are considered to form part of the net equity raised.

19.2 Reserves

The details of reserves are as follows:

	Share option reserve $	Foreign currency translation reserve $	Total reserves $
Balance at 30 June 2014	**2,190,377**	**1,154**	**2,191,531**
Share options expense	403,882	-	403,882
Options exercised	-	-	-
Transfer from reserves to retained earnings for options forfeited	(103,131)	-	(103,131)
Foreign currency translation	-	(1,154)	(1,154)
Balance at 30 June 2015	**2,491,128**	**-**	**2,491,128**
Share options expense	86,479	-	86,479
Options exercised	-	-	-
Transfer from reserves to retained earnings for options forfeited	(953,041)	-	(953,041)
Foreign currency translation	-	-	-
Balance at 30 June 2016	**1,624,566**	**-**	**1,624,566**

20. Employee remuneration

20.1 Share-based employee remuneration

As at 30 June 2016 the Group maintained share-based option plans as part of employee remuneration.

Share options and weighted average exercise prices are as follows for the reporting periods presented.

Share options	Employee share option plan		Option share trust		Total share options	
	Number	Weight avg exercise price $	Number	Weighted avg exercise price $	Number	Weight avg exercise price $
Outstanding at 1 July 2014	7,542,755	0.18	7,922,110	0.25	15,464,865	0.21
Granted	-	-	900,000	0.16	900,000	0.16
Forfeited	(300,000)	0.28	(500,000)	0.25	(800,000)	0.26
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2015	**7,242,755**	**0.17**	**8,322,110**	**0.24**	**15,564,865**	**0.21**
Granted	-	-	-	-	-	-
Forfeited	(4,508,921)	0.18	(1,383,900)	0.25	(5,892,821)	0.20
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2016	**2,733,834**	**0.16**	**6,938,210**	**0.24**	**9,672,044**	**0.22**
Exercisable at 30 June 2015	7,242,755	0.17	7,087,110	0.25	14,329,865	0.21
Exercisable at 30 June 2016	2,733,834	0.16	6,138,210	0.25	8,872,044	0.22

The fair value of options granted under the Option share trust was determined using a variation of the binomial option pricing model. The weighted average share price at the date of exercise was $0.16

Other details of options currently outstanding:

- The range of exercise prices is $0.136 to $0.28
- The weighted average remaining contractual life is 4 years

The following principal assumptions were used in the valuation:

Valuation assumptions				
Grant date	**1 Jul. 2010**	**1 Jan. 2011**	**21 Feb. 2011**	**1 Jul. 2011**
Share price at date of grant	$0.136	$0.136	$0.136	$0.280
Volatility	45%	45%	45%	45%
Option life	10 years	10 years	10 years	10 years
Dividend yield	0%	0%	0%	0%
Risk free investment rate	5.10%	5.60%	5.60%	5.30%
Fair value at grant date	$0.085	$0.086	$0.085	$0.180
Exercise price at date of grant	$0.136	$0.136	$0.136	$0.280

Grant date	16 Sept. 2013	4 Dec. 2013	21 Nov. 2014	
Share price at date of grant	$0.250	$0.470	$0.160	
Volatility	65%	65%	244%	
Option life	5 years	5 years	5 years	
Dividend yield	0%	0%	0%	
Risk free investment rate	3.40%	3.50%	2.80%	
Fair value at grant date	$0.156	$0.327	$0.179	
Exercise price at date of grant	$0.250	$0.250	$0.160	

In total, $86,479 (2015:$403,882), of employee remuneration expense (all of which related to equity settled share-based payment transactions) has been included in profit or loss and credited to share option reserve.

Volatility has been determined based on the historic share price volatility as it is assumed that this is indicative of future movements.

Option life is based on the nominated expiry date of the option and historical exercise patterns, which may not eventuate in the future.

21. Leasing

21.1 Operating leases as lessee

In November 2013 the Group entered a 5 year 4 month operating lease for its office and production facilities. The lease payments are secured by a cash deposit of $210,000. The future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year $	1-5 years $	After 5 years $	Total $
30 June 2016	263,596	502,963	-	766,559
30 June 2015	249,940	766,559	-	1,016,499

21.2 Finance lease

The Group entered into a 2 year finance lease for the fit out of the new offices and laboratories. During December 2015 the lease was finalised with the payment of a $150,000 option fee. As of 30 June 2016, the net carrying amount of these assets is $651,140 (2015: $689,995).

	Minimum lease payments due			
	Within 1 year $	1-5 years $	After 5 years $	Total $
30 June 2016				
Lease payments	-	-	-	-
Finance charges	-	-	-	-
Total lease liabilities	**-**	**-**	**-**	**-**
30 June 2015				
Lease payments	254,888	-	-	254,888
Finance charges	(1,517)	-	-	(1,517)
Total lease liabilities	**253,371**	**-**	**-**	**253,371**

22. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Regeneus Ltd at 30% (2015: 30%) and the reported tax expense in profit or loss are as follows:

	2016 $	2015 $
The prima facie tax on loss before income tax is reconciled to the income tax as follows		
Prima facie tax receivable on loss before income tax at 30% (2015: 30%)	(1,072,161)	(1,981,956)
Add:		
Tax effect of:		
- Research and development incentive	(819,633)	(1,025,270)
- Tax losses not brought to account	1,795,806	3,013,653
- Non-deductible expenses	180,672	198,787
- Other non-allowable items	18,149	(72,071)
Less:		
Tax effect of:		
Other allowable items	(102,833)	(133,143)
Income tax benefit	**-**	**-**
The applicable weighted average effective tax rates are as follows:	**0%**	**0%**

	2016 $	2015 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	8,603,798	8,409,456
Potential tax benefit of 30%	2,581,139	2,522,837

23. Auditor’s remuneration

	2016 $	2015 $
Audit and review of financial statements		
- Auditors of Regeneus Ltd	87,750	89,025
- Auditors of Regeneus South East Asia Pte Ltd[1]	-	5,326
Remuneration for audit and review of financial statements	**87,750**	**94,351**
Other services		
Other services	-	1,600
Other services - Regeneus South East Asia Pte Ltd[1]	-	5,457
Total other service remuneration	**-**	**7,057**
Total auditor’s remuneration	**87,750**	**101,408**

[1] These fees relate to the auditor services of Regeneus South East Asia Pte Ltd undertaken by Foo Kon Tan LLP (FKT). In respect of 2015 fees, FKT is not affiliated with Grant Thornton Audit Pty Ltd.

24. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Parent Company as the numerator (i.e. no adjustments to the loss were necessary in 2016 or 2015).

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2016 $	2015 $
Earnings per share		
Basic earnings per share from continuing operations	(0.017)	(0.032)
The weighted average number of ordinary shares used as the denominator on calculating the EPS	208,885,143	204,732,440
Diluted earnings per share		
Diluted earnings per share from continuing operations	(0.017)	(0.032)
The weighted average number of ordinary shares used as the denominator on calculating the DEPS	208,885,143	204,732,440

Share options have not been included in the diluted EPS calculation because they are anti-dilutive.

25. Reconciliation of cash flows from operating activities

Reconciliation of cash flows from operating activities	2016 $	2015 $
Cash flows from operating activities		
Loss for the period	(3,573,873)	(6,606,521)
Non cash adjustments for:		
• Depreciation	335,903	385,983
• Amortisation	14,856	18,732
• Loss on disposal of plant and equipment	148	270,468
• Profit on disposal of plant and equipment	(14,833)	(2,027)
• Equity settled share based transactions	86,479	403,884
• Unwinding of shareholder loan	(87,276)	(87,276)
• Unrealised foreign exchange movement	-	(1,154)
Net changes in working capital:		
• Change in inventories	68,899	106,734
• Change in trade and other receivables	44,798	67,695
• Change in other assets	343,259	(148,986)
• Change in trade and other payables	18,085	(15,930)
• Change in other employee obligations	107,126	(123,973)
• Change in tax assets	685,456	313,010
• Change in other liabilities	(368,570)	(493,701)
• Change in provisions	86,299	(10,295)
Net cash outflow from operating activities	**(2,253,244)**	**(5,923,357)**

26. Related party transactions and loans

During the period the Group used consulting services of companies in which a Director has a shareholding.

Related party transactions	2016 $	2015 $
Channel Group Pty Ltd Marketing and consulting services (John Martin)	-	11,375
Total paid to related parties	**-**	**11,375**

Related party loan receivable	2016 $	2015 $
John Martin	295,925	295,925
Graham Vesey	150,552	150,552
Total related parties loans	**446,477**	**446,477**

These loans relate to the shareholder loan, the terms of which are disclosed in note 15.

27. Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2016 $	2015 $
Salaries	665,883	734,990
Bonuses	-	290,000
Total short term employee benefits	**665,883**	**1,024,990**
Defined contribution pension plans	51,740	58,939
Other long term benefits	31,248	2,719
Share based payments	-	124,648
Total remuneration	**748,871**	**1,211,296**

During the year, no options were exercised.

Disclosures relating to key management personnel are set out in this note and the remuneration report in the Directors' report.

28. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2016 (30 June 2015: $nil).

29. Capital expenditure commitments

There were no capital commitments as at the 30 June 2016 (30 June 2015: $Nil).

30. Financial instruments

a. Capital risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, deposits, shareholder loans, accounts payable and financial liabilities.

b. Categories of financial instruments

The total for each category of financial instrument, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statement, are as follows:

Financial assets	2016 $	2015 $
Trade and other receivables	21,774	66,571
Cash and cash equivalents	528,670	3,012,812
Total financial assets	**550,444**	**3,079,383**

Financial liabilities	2016 $	2015 $
Trade and other payables	906,312	781,101
Total financial liabilities	**906,312**	**781,101**

c. Financial risk management objectives

The Group is exposed to various risks in relation to financial instruments. The main types of risks are foreign currency risk, credit risk and liquidity risk.

The Group's risk management is coordinated in close operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

d. Foreign exchange risk

Foreign exchange risk is the risk of an adverse impact on the Group's financial performance as a result of exchange rate volatility.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group is exposed to foreign exchange risk arising primarily from transactions with foreign suppliers and the effect of foreign exchange rate volatility on a US denominated bank account, balance at 30 June 2016 US$52,000 (30 June 2015: $Nil). Other exposure to currency risk arises from foreign currency transactions and is limited to trade payables. The Group does not frequently transact with foreign suppliers and the total balance of trade payables denominated in a foreign currency is not material, therefore the Group's exposure is minimal.

Management have assessed the risk of movement in interest rates, and foreign exchange, and do not believe the impact would be material to the accounts.

e. Liquidity risk analysis

Liquidity risk is risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in a rolling 365 day projection.

The Group's objective is to maintain cash and deposits to meet its liquidity requirements for 180 day periods at a minimum. This objective was met for the reporting periods.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk in particular its cash resources and trade receivables.

As at 30 June 2016 the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	2016 $	2015 $
	Current within 6 months	Current within 6 months
Trade and other payables	906,312	781,101
Total financial liabilities	**906,312**	**781,101**

f. Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group has adopted a policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults.

There are no significant concentrations of credit risk within the Group.

g. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders;

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position and cash flow.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

31. Fair value measurement

Fair value hierarchy

The Group's assets and liabilities measured or disclosed at fair value are valued 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

All assets and liabilities are considered to be Level 1 and their carrying values are considered to approximate fair value. There were no transfers between levels during the financial year.

32. Parent entity information

Set out below is the supplementary information about Regeneus Ltd, the parent entity.

	2016 $	2015 $
Statement of financial position		
Current assets	3,502,584	7,127,495
Total assets	5,934,707	9,579,341
Current liabilities	1,005,585	1,259,539
Total liabilities	1,150,067	1,307,127
Net assets	4,784,640	8,272,214
Issued capital	31,076,819	31,076,819
Retained earnings	(27,916,747)	(25,295,733)
Option reserve	1,624,568	2,491,128
Total equity	**4,784,640**	**8,272,214**
Statement of profit or loss and other comprehensive income		
Loss for the year	(3,573,873)	(6,693,670)
Other comprehensive income	-	-
Total comprehensive loss	**(3,573,873)**	**(6,693,670)**

33. Subsequent events

In the period since 30 June 2016 to the signing of the financial report, a material loan facility has been secured. The details of this arrangement are as follows:

On July 1 2016, the company entered into an R&D funding arrangement with Sherman Group Pty Ltd, a related party. The facility forward funds, via a loan, the Federal Government's research and development tax incentive for FY16. The loan is secured over the tax incentive receipt and as a first ranking charge over the Group's property. The facility allows the company to draw down the lower of $2.0 million or 80% of the anticipated claim. At the time of implementing the facility, the R&D incentive was estimated at $2.5 million. The claim has now been lodged at $2.73 million. At the date of this report, $750k of the facility has been drawn down and depending upon the timing of the tax incentive, another $750k is anticipated as being drawn down. Full repayment of the loan is anticipated to be completed by the end of September.

Apart from the above, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the entity's operations in future financial years, the results of those operations in future financial years or the entity's state of affairs in future financial years.

09 Directors' Declaration

Directors' declaration

1. In the opinion of the Directors of the Group:

   a. The consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
      i. Giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
      ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2016.

3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

CEO and Executive Director
John Martin

Dated this day 24 August 2016

GrantThornton

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Independent Auditor’s Report
To the Members of Regeneus Limited

Report on the financial report

We have audited the accompanying financial report of Regeneus Limited (the “Company”), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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. The Directors’ responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

Auditor's opinion
In our opinion:

a the financial report of Regeneus Limited 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 2016 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 the notes to the financial statements.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 3 in the financial report which indicates that the consolidated entity incurred a net loss of $3,573,873 during the year ended 30 June 2016 and, as of that date, the consolidated entity's cash outflows from operating activities equates to $2,253,244. These conditions, along with other matters set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

Report on the remuneration report

We have audited the remuneration report included in pages 15 to 19 of the directors' report for the year ended 30 June 2016. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Regeneus Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

LWorsley.

L M Worsley
Partner - Audit & Assurance

Sydney, 24 August 2016

11 ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective 19 August 2016.

Corporate governance statement

In accordance with the ASX principles and recommendations, Regeneus Ltd's corporate governance statements can be reviewed on the Company website, at:

regeneus.com.au/investor-centre/corporate-governance

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholder	Number of shares
Vesey Investments	14,399,642

Voting rights

Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

Distribution of equity security holders

Holding	Shares	Options
100,001 and over	173,969,245	9,622,044
10,001 to 100,000	31,739,572	50,000
5,001 to 10,000	2,257,765	-
1,001 to 5,000	902,553	-
1 to 1,000	16,008	-
	208,885,143	**9,672,044**
Unmarketable parcels	331,159	

Buy back of shares

There is no buy back of shares on offer.

Unissued equity securities

Options issued under the options plans total 9,672,044.

Ordinary shares

Twenty largest shareholders	Number held	% of issued shares
HSBC Custody Nominees (Australia) Limited	16,603,742	7.95
Vesey Investments Pty Ltd	14,399,642	6.89
Dr. Marc Ronald Wilkins	8,659,769	4.15
Thomas Georg Mechtersheimer	7,909,687	3.79
Dr. Benjamin Ross Herbert	7,056,712	3.38
Tony Batterham	3,850,500	1.84
John Martin	3,759,682	1.80
Pierre Frederic Malou	2,905,542	1.39
SMC Capital Pty Ltd	2,716,726	1.30
Parros Pty Ltd	2,259,136	1.08
George Miklos	2,255,038	1.08
J P Morgan Nominees Australia Limited	2,211,205	1.06
MLB Holdings Pty Ltd	2,000,000	0.96
Sayers Investment (ACT) Pty Ltd	1,988,543	0.95
Bacau Pty Ltd	1,940,732	0.93
Rose Martin	1,863,642	0.89
Mrs. Ciara Yvonne Kelly and Mr. Paul Dominic Kelly	1,774,512	0.85
Dr. Michael Muller	1,571,896	0.75
Duncan Thomson & Donna Thomson	1,534,183	0.74
Dr. Terence Cecil Vardy & Mrs. Belinda Jane Vardy	1,507,692	0.72
Total	**88,768,581**	**42.50**
Balance of register	**120,116,562**	**57.50**
Grand total	**208,885,143**	**100.00**

Securities exchange

The Company was listed on the Australian Securities Exchange on the 19 September 2013

Cash Usage

Since listing on the ASX on 19 September 2013, the Group has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner consistent with its business objectives.

Corporate Directory

Registered Office and Principal Place of Business

25 Bridge Street
Pymble, NSW 2073, Australia

Board of Directors

Dr. Roger Aston (Non-executive Chairman)
John Martin (Chief Executive Officer)
Professor Graham Vesey (Executive Director)
Barry Sechos (Non-executive Director)
Dr. Glen Richards (Non-executive Director)

Company Secretary

Sandra McIntosh

Website

regeneus.com.au

Lawyers

Dibbs Barker
Level 8, 123 Pitt Street
Sydney NSW 2000

Auditors

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

Patent Attorneys

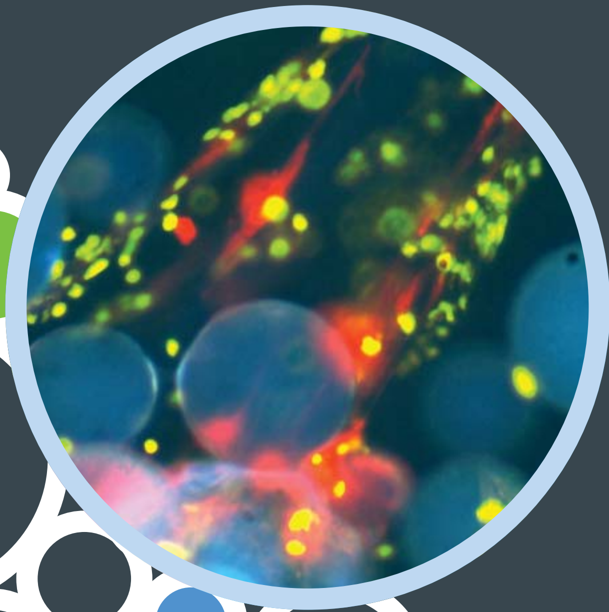
Spruson & Ferguson
Level 35, 31 Market Street
Sydney, NSW 2000

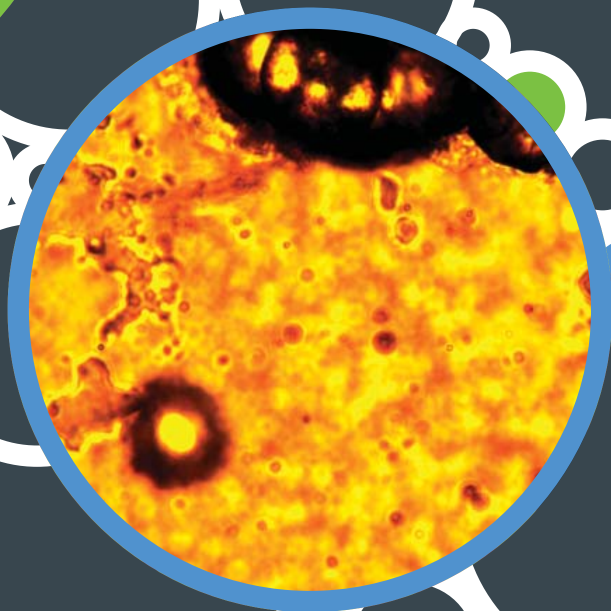
Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000

Stock Exchange Listing

Australian Stock Exchange
ASX Code: RGS





Regeneus Ltd
ABN 13 127 035 358

25 Bridge Street
Pymble, NSW 2073

Ph: +61 2 9499 8010
Fax: +61 2 9499 8020

Regeneus Ltd (ASX: RGS) is an Australian clinical-stage regenerative medicine company using stem cell and immuno-oncology technologies to develop a portfolio of cell-based therapies to address significant unmet medical needs in the human and animal health markets with a focus on osteoarthritis and other musculoskeletal disorders, oncology and dermatology diseases.

The company is focused on unlocking value in its clinical-stage human and animal pipeline products through generating positive clinical data, technology development and partnering.