

**Factor Therapeutics Limited (previously Tissue Therapies Limited)**  
ABN 45 101 955 088

# Appendix 4D

## ASX Half-Year Report

### 31 December 2016

Lodged with the ASX under Listing Rule 4.2A

## Contents

<b>RESULTS FOR ANNOUNCEMENT TO THE MARKET</b>	<b>2</b>
<b>SUMMARY OF FINANCIAL INFORMATION</b>	<b>2</b>
NTA BACKING	2
DIVIDENDS	2
HIGHLIGHTS OF RESULTS	2
<b>DIRECTORS' REPORT</b>	<b>3</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>6</b>
<b>HALF-YEAR FINANCIAL STATEMENTS</b>	<b>7</b>
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	10
CONDENSED NOTES TO THE FINANCIAL STATEMENTS	11
<b>DIRECTORS' DECLARATION</b>	<b>15</b>
<b>INDEPENDENT AUDITOR'S REVIEW REPORT</b>	<b>16</b>

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### Summary of Financial Information

Extracts from this report for announcement to the market:

	Half-year Ended 31-Dec-16 \$	Half-year Ended 31-Dec-15 \$	Movement \$	Movement %
Revenue from continuing operations	2,255,265	208,720	2,046,545	980.52%
Profit/(Loss) after income tax for the half-year attributable to members	(1,392,576)	(9,581,073)	8,188,497	85.46%
Total comprehensive income for the half- year attributable to members	(1,392,490)	(9,596,798)	8,204,308	85.49%

### NTA backing

	31-Dec-16 Cents	31-Dec-15 Cents
Net tangible asset backing per ordinary security	2.02	1.06

### Dividends

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

### Highlights of Results

Refer to the Directors' Report.

## DIRECTORS' REPORT

Your Directors present their report on Factor Therapeutics Limited (previously Tissue Therapies Limited) ("the company") and controlled entities ("the group") for the half-year ended 31 December 2016.

### Directors

The names of Directors who held office during or since the end of the half-year:

Dr Cherrell Hirst – Chairman, non-Executive Director  
Mr Tim Hughes – non-Executive Director  
Dr Robert Ryan – non-Executive Director (appointed 13 September 2016)  
Mr John Michailidis – non-Executive Director (appointed 14 February 2017)  
Dr Christian Behrenbruch – Executive Director

### Operating Results

- Factor Therapeutics recorded an after-tax loss of \$1,392,576. This loss included an R&D claim incentive of \$2,196,368.
- Revenue of \$2,255,265 arose from interest earned on funds on deposit and R&D claim incentive.

### Review of Operations

Factor Therapeutics' strategy is to internally develop, license or acquire therapies for areas of unmet need in advanced wound care.

The company is a globally focused biotechnology company whose lead program, VF-001 is a topically administered recombinant protein for the treatment of wounds that will benefit from increased epithelial proliferation.

In the half-year to 31 December 2016 the company initiated a clinical study to evaluate venous leg ulcer patients treated with VF-001 as a novel treatment for moderate severity ulceration (Please see **ASX:FTT** First Patient In and Clinical Update, 20 December 2016). Commencement of the clinical study followed removal of full clinical hold by the US Food and Drug Administration (Please see **ASX:FTT** FDA Clinical Lifted for IND 119526, 7 November 2016). This now means VF-001 has reached pivotal phase in Europe and Phase II in the United States. Clinical trial expenses amounted to \$1,105,647 for the half-year. Planned regulatory expenses associated with the removal of full clinical hold amounted to \$424,503, an increase of 67% compared to the same period in 2015.

These milestones marked the culmination of a major change program to pivot VF-001 manufacturing and regulatory activities from Europe to the US, whilst concurrently advancing development for the European market. Phase and scale appropriate production of VF-001 was completed during September with relatively minor delays (Please see **ASX:FTT** Completion of Manufacturing, 9 September 2016). Manufacturing development expenses amounted to \$637,216. At that time the company was approximately one quarter behind schedule, as a follow-on effect from the "out-of-specification" result obtained during material testing in June (Please see **ASX:FTT** Shareholder Update, 14 June 2016). Over the forward period, the company is managing its operations with the aim of recovering that delay.

All inventories are reviewed on a regular basis for possible impairments and no impairments to inventory have occurred during the period under review.

The company utilizes third parties for development and commercialisation of its products. Initiation of the clinical study was accomplished with significant contributions from service providers that have performed well during the period under review. A newly established Medical Advisory Board contributed to the achievement of these milestones (Please see **ASX:FTT** Formation of Medical Advisory Board, 3 August 2016). Outsourcing these critical path items allowed the company to execute operations in a timely manner.

The company entered into a collaboration and intellectual property option agreement with Monash University, pursuant to which, the company obtained the option to license background and foreground intellectual property within a two-year period under pre-negotiated terms (Please see **ASX:FTT** Factor Therapeutics and Monash University Conclude Dermal Immunology Agreement, 22 November 2016). The collaboration provides an opportunity to broaden the utility of the core vitronectin-based platform and to develop small molecules, identified by Monash as targeting inflammation pathways pertinent to dermal healing.

In September the company announced the appointment of experienced biotechnology executive Dr Robert Ryan to the Board (Please see **ASX:FTT** Factor Therapeutics Limited Announces Addition to Board of Directors, 14 September 2016). The half-year was a period of significantly increased operational activity and human capital was augmented with the appointment of experienced biotechnology Company

Secretary, Melanie Farris (Please see **ASX:FTT** Appointment of Company Secretary, 29 September, 2016) and hires for project management and quality assurance (please see **ASX: FTT** Shareholder Update, 14 July 2016).

Human capital development was further augmented for the US clinical trial launch and longer term scientific planning (Please see **ASX:FTT** Factor Therapeutics Human Capital Update, 21 November 2016). Experienced trialist Professor William Marston, University of North Carolina and accomplished scientist Professor Mark Sleeman, Monash University, will enhance the ability of the company to achieve goals for the company's development programs, especially VF-001's clinical study and Phase III readiness.

The company maintained a modest level of employment expenditure, \$643,243 for the period under review.

The company remains engaged in an active search for a CEO and additional non-executive directors to broaden and further strengthen existing specialised skill sets and experience in the company's stewardship and management.

As part of the corporate turn-around of the company, Deloitte was engaged to review the company's historical R&D tax filings for 2012-15 (Please see **ASX:FTT** Shareholder Update, 3 October 2016), to prepare the FY16 claim. The company received rebates of \$1.5 million prior to 31 December 2016 and ATO assessment of 2012-14 claims remain incomplete at the reporting date. The company also obtained an overseas finding for R&D expenditure on the US clinical trial.

The success of the company depends in part on the ability to obtain protection for product candidates, technology and know-how. During the period under review the company continued to expand and invest in its intellectual property portfolio. The patent position of the company was further strengthened with allowances in Europe for potential pipeline products and the core vitronectin-based program (Please see **ASX:FTT** Shareholder Update, 3 October 2016). Intellectual property expenses amounted to \$96,713, down 46% compared to the same period last year.

#### **Financial Review**

- Cash and cash equivalents were \$12,673,078 at 31 December 2016.
- The company's contributed equity at 31 December 2016 was \$79,995,502.
- R&D tax incentive received in the half-year ended 31 December 2016 was \$1,529,321.
- Research and development expenditure on collaboration of \$105,507 was incurred in pursuing the company's key research and business priorities.
- Option expense of \$107,123 was recorded during the period related to options issued to key Factor Therapeutics' management team, Directors and the Medical Advisory Board under the company's Equity Option Plan.

#### **Future Developments, Prospects and Business Strategies**

- The US multi-centre Phase II trial of VF-001 for the treatment of Venous Leg Ulcers (VLUs) under an FDA Investigational New Drug (IND) approval has commenced and was able to commence patient enrolment in calendar year 2016 (NCT02973893). This is a significant trial that is intended not only to provide an efficacy signal to support Phase III decision-making, but also substantially meet the clinical requirements for re-submission of CE Mark in Europe.
- The company is currently preparing a Phase II IND submission for VF001 for the treatment of diabetic foot ulcers. The company expects to be able to provide a progress update to shareholders around the end of March '17.
- The company has commenced the pre-clinical development work for the ocular wound care program, with experienced academic collaborators that are able to provide appropriate cell lines and models to evaluate the potential efficacy of vitronectin-targeted growth factors in this application setting. The company expects to be able to provide an update to shareholders around mid-year '17.
- The company has identified several orphan drug opportunities – both through the exploitation of its existing IP portfolio as well as synergistic intellectual property in-licensed from Monash University. Although the company remains steadfastly focused on high quality execution of the lead program / clinical trial, there are several high-value opportunities for the company's wound care technology that warrant further development, and may lead to partnership opportunities in the future.

- Business development remains an active objective in concert with the Phase II trial execution. The company has made an effort to be increasingly visible, both at international wound care conferences, as well as presenting at the Biotech Showcase in San Francisco in early January of this year (during the JP Morgan healthcare conference).

#### **Auditor's Declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is attached to this Directors' Report for the half-year ended 31 December 2016.

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



Cherrell Hirst  
**Chairman**

Brisbane, 15 February 2017

PKF Hacketts



**Auditor's Independence Declaration**  
under Section 307C of the *Corporations Act 2001*  
to the Directors of Factor Therapeutics Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been:

- a) no contravention of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b) no contravention of any applicable code of professional conduct in relation to the review.

PKF Hacketts

**PKF Hacketts Audit**

Brisbane, 15 February 2017

A handwritten signature in blue ink, appearing to read 'S Lindemann'.

**Shaun Lindemann**  
Partner

PKF Hacketts Audit  
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000  
GPO Box 1568, Brisbane QLD 4001  
p +61 7 3839 9733  
f +61 7 3832 1407

8 East Street, PO Box 862  
Rockhampton QLD 4700  
p +61 7 4927 2744  
f +61 7 4927 4317

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## HALF-YEAR FINANCIAL STATEMENTS

### Consolidated Statement of Comprehensive Income

	Note	CONSOLIDATED	
		31-Dec-16 \$	31-Dec-15 \$
<b>Continuing operations</b>			
Other income	2	2,255,265	208,720
		<b>2,255,265</b>	<b>208,720</b>
Research & development (collaboration)		(105,507)	(91,633)
Manufacturing development costs		(637,216)	(514,918)
Impairment of inventory	2	-	(7,485,691)
Amortisation of non-current inventory		(33,950)	(33,950)
Clinical trials expenses	2	(1,105,647)	-
Occupancy expenses		(89,888)	(101,259)
Regulatory expenses		(424,503)	(253,230)
Intellectual property		(96,713)	(181,146)
Transport and logistics		(106,298)	(53,014)
Employment expenses		(643,243)	(648,281)
Consultants		(29,038)	(25,739)
Administration expenses		(360,505)	(189,507)
Option expenses		(107,123)	(38,700)
Depreciation		(20,876)	(23,889)
Finance costs		(5,803)	(5,518)
Gains/(Losses) on foreign exchange		238,552	(20,380)
Other expenses		(119,544)	(122,673)
<b>Loss before income tax expense</b>		<b>(1,392,037)</b>	<b>(9,580,808)</b>
Income tax benefit / (expense)		(539)	(265)
<b>Net loss after tax</b>		<b>(1,392,576)</b>	<b>(9,581,073)</b>
<b>Other comprehensive income items</b>			
Other comprehensive income:			
Foreign exchange translation reserve		86	(15,725)
Income tax relating to components of other comprehensive income		-	-
<b>Other comprehensive income after tax</b>		<b>86</b>	<b>(15,725)</b>
<b>Total comprehensive income for the period</b>		<b>(1,392,490)</b>	<b>(9,596,798)</b>
Loss attributable to members of the Company		<b>(1,392,576)</b>	<b>(9,581,073)</b>
Total comprehensive income attributable to members of the Company		<b>(1,392,490)</b>	<b>(9,596,798)</b>
<b>Earnings per share</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	(0.19)	(3.16)
Diluted earnings per share	9	(0.19)	(3.16)

The accompanying notes form part of these financial statements.

## Consolidated Statement of Financial Position

	Note	CONSOLIDATED	
		31-Dec-16 \$	30-Jun-16 \$
<b>Current assets</b>			
Cash and cash equivalents	4	12,673,078	14,375,591
Trade and other receivables		106,517	201,473
Incentive – R&D claim		1,029,901	362,855
Inventories	5(a)	33,903	33,903
Prepayments		133,065	146,919
<b>Total current assets</b>		<b>13,976,464</b>	<b>15,120,741</b>
<b>Non-current assets</b>			
Inventories	5(b)	648,002	681,953
Property, plant and equipment		91,188	86,755
Intangible assets	6	557,250	557,250
<b>Total non-current assets</b>		<b>1,296,440</b>	<b>1,325,958</b>
<b>Total assets</b>		<b>15,272,904</b>	<b>16,446,699</b>
<b>Current liabilities</b>			
Trade and other payables		606,612	709,531
Provisions		154,020	141,986
Other liabilities		50,002	29,964
<b>Total current liabilities</b>		<b>810,634</b>	<b>881,481</b>
<b>Non-current liabilities</b>			
Other liabilities		29,964	45,070
<b>Total non-current liabilities</b>		<b>29,964</b>	<b>45,070</b>
<b>Total liabilities</b>		<b>840,598</b>	<b>926,551</b>
<b>Net assets</b>		<b>14,432,306</b>	<b>15,520,148</b>
<b>Equity</b>			
Contributed equity	7	79,995,502	79,797,977
Reserves		89,120	(18,089)
Accumulated losses		(65,652,316)	(64,259,740)
<b>Total equity</b>		<b>14,432,306</b>	<b>15,520,148</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity

	Reserves			Accumulated Losses	Total
	Share Capital	Option Reserve	Foreign Exchange Translation Reserve		
	\$	\$	\$	\$	\$
<b>Total equity at 1 July 2015</b>	66,028,808	-	(55,885)	(52,647,709)	13,325,214
Total comprehensive income	-	-	(15,725)	(9,581,073)	(9,596,798)
Transactions with owners in their capacity as owners:					
- Contributions of equity	-	-	-	-	-
- Transaction costs	-	-	-	-	-
- Employee share options	-	38,700	-	-	38,700
- Option reserve lapsed/expired	-	-	-	-	-
Total transactions with owners	-	38,700	-	-	38,700
<b>Total equity at 31 December 2015</b>	<b>66,028,808</b>	<b>38,700</b>	<b>(71,610)</b>	<b>(62,228,782)</b>	<b>3,767,116</b>
<b>Total equity at 1 July 2016</b>	79,797,977	53,711	(71,800)	(64,259,740)	15,520,148
Total comprehensive income	-	-	86	(1,392,576)	(1,392,490)
Transactions with owners in their capacity as owners:					
- Contributions of equity	200,000	-	-	-	200,000
- Transaction costs	(2,475)	-	-	-	(2,475)
- Employee share options	-	107,123	-	-	107,123
- Option reserve lapsed/expired	-	-	-	-	-
Total transactions with owners	197,525	107,123	-	-	304,648
<b>Total equity at 31 December 2016</b>	<b>79,995,502</b>	<b>160,834</b>	<b>(71,714)</b>	<b>(65,652,316)</b>	<b>14,432,306</b>

*The accompanying notes form part of these financial statements.*

## Consolidated Statement of Cash Flows

	Note	CONSOLIDATED	
		31-Dec-16 \$	31-Dec-15 \$
<b>Cash flows related to operating activities</b>			
Payments to suppliers and employees		(1,907,781)	(2,413,074)
Payments for research & development, clinical trials and regulatory		(1,550,466)	(920,019)
Interest received		59,915	85,311
Income tax rebate received		1,529,321	426,816
Interest and other costs of finance paid		(5,803)	(5,518)
<b>Net cash provided by (used in) operating activities</b>		<b>(1,874,814)</b>	<b>(2,826,484)</b>
<b>Cash flows related to investing activities</b>			
Payment for property, plant and equipment		(25,310)	-
<b>Net cash provided by (used in) investing activities</b>		<b>(25,310)</b>	<b>-</b>
<b>Cash flows related to financing activities</b>			
Proceeds from issues of shares and other equity securities		200,000	-
Cost of share issue		(2,475)	-
<b>Net cash provided by (used in) financing activities</b>		<b>197,525</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>		<b>(1,702,599)</b>	<b>(2,826,484)</b>
Cash and cash equivalents at beginning of period		14,375,591	5,578,730
Effects of exchange rate fluctuations on cash and cash equivalents		86	(15,725)
<b>Cash and cash equivalents at end of period</b>	4	<b>12,673,078</b>	<b>2,736,521</b>

*The accompanying notes form part of these financial statements.*

## Condensed Notes to the Financial Statements

### Note 1 Summary of Significant Accounting Policies

These consolidated interim financial statements and notes represent those of Factor Therapeutics Limited (previously Tissue Therapies Limited) (“the company”) and controlled entities (“the group”).

Factor Therapeutics Limited is a public company incorporated and domiciled in Australia.

The financial statements were authorised for issue on 15 February 2017 by the Directors of the company.

### Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. The group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

This half-year financial report is intended to provide users with an update on the latest annual financial statements of the group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the group. It is therefore recommended that this half-year financial report be read in conjunction with the annual financial statements of the group for the year ended 30 June 2016, together with any public announcements made during the half-year.

### Accounting Policies

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements.

The group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

### *Critical Accounting Estimates and Judgments*

All critical estimates and judgments are consistent with those applied and disclosed in the 30 June 2016 annual report, except in relation to the matter discussed below.

### *Key Estimates – Incentives – R&D Claim*

The company is entitled to claim a refundable tax offset for certain research and development activities under Division 355 of the *Income Tax Assessment Act 1997* as modified by the *Budget Savings (Omnibus) Act 2016*. Significant judgment is required in determining the claimable amount of the R&D expenses. There are many transactions and calculations undertaken during the ordinary course of business for which the R&D claim determination is uncertain. The company recognises assets for its anticipated R&D claim based on the company’s understanding of the tax law, in particular *section 27A, 28A and 28C Industry Research and Development Act 1986*. Where the final R&D claim outcome of these matters is different from the carrying amounts, the difference will impact the current R&D claim in the period in which such determination is made.

## Condensed Notes to the Financial Statements

### Note 2 Profit and Loss Information

	31-Dec-16 \$	31-Dec-15 \$
<b>Revenue</b>		
<b>Other income</b>		
Interest revenue	58,897	53,169
Incentive – R&D claim <sup>(a)</sup>	2,196,368	155,551
<b>Total other income</b>	<u>2,255,265</u>	<u>208,720</u>

<sup>(a)</sup> The increase in R&D incentive claim received during the period is due to the overseas finding obtained from AusIndustry in relation to R&D expenditure on the US Phase II clinical trial.

### Impairment

During the half year ended 31 December 2015, impairment of \$7,485,691 was made against the work-in-progress component of inventory. This impairment was in line with the change of strategy of the company, whereby product development of VF-001 would be pursued as a pharmaceutical with a United States focus.

### Clinical trial expenses

In the half year ended 31 December 2016, the company initiated a clinical study to evaluate venous leg ulcer patients treated with VF-001 as a novel treatment for moderate severity ulceration.

### Note 3 Segment Information

Operating segments are identified, and segment information disclosed, on the basis of internal reports that are regularly provided to, or reviewed by, the company's chief operating decision maker, which, for the company, is the Board of Directors. In this regard, the Board of Directors confirms that the company continues to operate in one operating segment, being biotechnology.

### Note 4 Cash and cash equivalents

	31-Dec-16 \$	30-Jun-16 \$
Cash at bank	10,435,488	7,011,472
Short term bank deposits – at call	2,237,590	7,364,119
<b>Total cash and cash equivalents at end of period</b>	<u>12,673,078</u>	<u>14,375,591</u>

## Condensed Notes to the Financial Statements

### Note 5 Inventories

	31-Dec-16 \$	30-Jun-16 \$
<b>a) Current</b>		
Syringes and stoppers	33,903	33,903
<b>b) Non-current</b>		
VF-001 – Work-in-progress – at cost	648,002	681,953

VF-001 (previously communicated as VitroGro<sup>®</sup> ECM) work-in-progress includes concentrated VF-001 protein, production cells and reference protein.

### Note 6 Intangible assets

	31-Dec-16 \$	30-Jun-16 \$
Opening balance	557,250	342,250
Additions <sup>(1)</sup>	-	215,000
<b>Closing balance</b>	<b>557,250</b>	<b>557,250</b>

<sup>(1)</sup> The increase in recorded intangible assets relates to the execution of a Deed of Assignment of Intellectual Property with the Queensland University of Technology (QUT) during the financial year ended 30 June 2016.

### Note 7 Issued and quoted securities at end of current period

Category of Securities	Number of shares	Issue Price per Security Cents	\$
Balance at 1 July 2016	724,328,499		79,797,977
26/07/16 Ordinary shares issued to Directors per shareholder approval at EGM on 29/06/16	5,714,284	3.5c	200,000
Transaction costs arising from share issues			(2,475)
<b>Balance at 31 December 2016</b>	<b>730,042,783</b>		<b>79,995,502</b>

### Note 8 Contingent assets or contingent liabilities

The company has engaged Deloitte Tax Services Pty Ltd to review the R&D tax incentive claim for financial year 2012, 2013 and 2014, and at 31 December 2016, the review remains incomplete. As a result, the R&D tax incentive receivable has not been recognised at 31 December 2016, because it is not possible to reliably determine the outcome at this point.

Directors are not aware of any other contingent assets or liabilities that are likely to have a material effect on the results of the Company as disclosed in these financial statements.

## Condensed Notes to the Financial Statements

### Note 9 Earnings per security (“EPS”)

	31-Dec-16	31-Dec-15
	\$	\$
Loss after income tax benefit attributable to the Company	(1,392,576)	(9,581,073)
<b>Weighted average number of shares used as the denominator</b>	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the period used in calculation of Basic EPS	729,266,386	302,878,835
Weighted average number of options outstanding which are considered potentially dilutive	-	-
Weighted average number of potential ordinary shares outstanding during the period used in calculation of Dilutive EPS	729,266,386	302,878,835
The diluted EPS calculation includes that portion of these options considered to be potentially dilutive, weighted with reference to the date of conversion.		
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.19)	(3.16)
Diluted earnings per share	(0.19)	(3.16)

### Note 10 Events occurring after the balance sheet date

On 13 February 2017, the Company announced that it has established an Unmarketable Parcel Sale Facility (UPS Facility) for holders of fully paid ordinary shares in the Company valued at less than \$500 (each a UPS Shareholder). The UPS Facility is to assist UPS shareholders to sell their shares without having to pay brokerage fees or act through a broker. By facilitating the sale of UPS shareholdings, the Company expects to reduce the administrative costs associated with maintaining a large number of small holdings. (ASX:FTT Unmarketable Parcel Sale Facility, 13 February 2017).

On 14 February 2017, the Company appointed Mr John Michailidis as a non-executive Director to the Company. Mr Michailidis is currently the Managing Director for TEVA Australia/NZ and brings almost 30 years of commercial pharmaceutical experience to the Company. His career has ranged from global franchise and regional executive leadership roles with F. Hoffman – La Roche (Roche) to CEO experience with growth-stage biopharmaceutical companies, such as AviPep and Orphan Australia (acquired by Sigma). Mr Michailidis holds a BSc in Genetics from La Trobe University, and executive business qualifications from Harvard Business School and INSEAD. (ASX:FTT Appointment of John Michailidis as Non-Executive Director, 14 February 2017).

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group’s operations, the results of those operations, or the Group’s state of affairs in future financial years.

### Note 11 Dividends

No dividend has been paid during the half-year ended 31 December 2016. As at 31 December 2016 and up until the date of this report, the Directors have made no recommendation concerning dividends for the half-year, or any period thereafter.

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 14 are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

## FACTOR THERAPEUTICS LIMITED



Cherrell Hirst  
**CHAIRMAN**

Brisbane, 15 February 2017

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TISSUE THERAPIES LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Factor Therapeutics Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tissue Therapies Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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

#### *Conclusion*

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

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**PKF Hacketts Audit**

Brisbane, 15 February 2017



**Shaun Lindemann  
Partner**

PKF Hacketts Audit  
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000  
GPO Box 1568, Brisbane QLD 4001  
p +61 7 3839 9733  
f +61 7 3832 1407

8 East Street, PO Box 862  
Rockhampton QLD 4700  
p +61 7 4927 2744  
f +61 7 4927 4317

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