

Tissue Therapies Limited
ABN 45 101 955 088

Appendix 4D
ASX Half-Year Report
31 December 2010

Lodged with the ASX under Listing Rule 4.2A

Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET.....	2
Summary of Financial Information	2
Dividends.....	2
Highlights of Results.....	2
Ratios	3
NTA backing.....	3
COMPLIANCE STATEMENT	4
DIRECTORS' REPORT	5
HALF YEAR FINANCIAL STATEMENTS	8
Condensed Statement of Comprehensive Income.....	8
Condensed Statement of Financial Position	9
Condensed Statement of Changes in Equity.....	10
Condensed Statement of Cash Flows	11
Notes to the Financial Statements.....	12
DIRECTORS' DECLARATION.....	15
INDEPENDENT AUDITOR'S REVIEW REPORT.....	16

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Summary of Financial Information

Extracts from this report for announcement to the market:

	6 months ended 31 December 2010 \$	6 months ended 31 December 2009 \$	Movement \$	Movement %
Revenue from continuing operations	73,500	136,422	(62,922)	(46.1)
Loss after income tax for the half-year attributable to members	(3,321,806)	(1,562,604)	(1,759,202)	(112.6)
Total comprehensive income for the half-year attributable to members	(3,321,806)	(1,562,604)	(1,759,202)	(112.6)

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

- The after-tax loss of \$3,321,806 was in line with budget expectations;
- Revenue of \$73,500 arose from interest earned on funds on deposit;
- Research and development expenditure of \$337,695 and expenditure on clinical trials of \$1,969,609 was incurred in pursuing the Company's key research and business priorities;
- Cash assets were \$3,173,648 at 31 December 2010;
- During July 2010, commercial scale manufacturing of VitroGro® to the appropriate healthcare standards for human use was successfully completed;
- On 30 September 2010 excellent final human results were announced from the Australian clinical trial of VitroGro® for the treatment of venous ulcers. Treatment of these patients with VitroGro® twice per week, for only 3 weeks (6 doses) produced:
 - Complete healing in 5 out of 30 ulcers (16.7%)
 - Average area of venous ulcer healing; 43%
 - Statistical significance of these results; $p < 0.0001$
 - Average age of patients in the clinical trial; 71 years
 - Average time venous ulcer was present prior to starting the VitroGro® trial; 12 months
 - Average time the venous ulcers were unresponsive to expert treatment prior to entering the VitroGro® trial; 9 months
- The results of this clinical trial are currently being prepared for scientific publication;
- During December 2010 severe winter weather in the UK forced the temporary halt of the EU multicentre trial of VitroGro® for the treatment of venous ulcers. This was restarted on 10 January 2011; and
- During the half year ended 31 December 2010, further VitroGro® patents were granted in the USA, Japan and Australia and the first VitroGro® patent was granted in the EU.

Ratios

	Current period	Previous corresponding period
Loss before tax / revenue		
Loss from ordinary activities before tax as a percentage of revenue	(4,782%)	(1,205%)
Loss after tax / equity interests		
Loss from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(71.11%)	(15.78%)

NTA backing

	At the end current period Cents	At the end of previous corresponding period Cents
Net tangible asset backing per ordinary security	3.13	6.92

COMPLIANCE STATEMENT

- 1 This Appendix 4D has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Act 2001 and Corporations Regulations 2001; and other standards acceptable to the ASX.
- 2 This Appendix 4D has been prepared in accordance with Australian Accounting Standards.
- 3 This Appendix 4D does give a true and fair view of the matters disclosed.
- 4 This Appendix 4D is based on financial statements which have been reviewed and the review report contains no qualifications.
- 5 The entity has a formally constituted Audit and Risk Management Committee.

TISSUE THERAPIES LIMITED



Drummond Mckenzie
COMPANY SECRETARY

Brisbane, 9 February 2011

DIRECTORS' REPORT

Your directors present their report on Tissue Therapies Limited ("the Company") for the half-year ended 31 December 2010.

Directors

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

Mr Roger Clarke - Chairman
Mr Mel Bridges – Director
Dr Cherrell Hirst – Director
Mr Gregory Baynton – Director
Dr Steven Mercer – Executive Director

Review of Operations

- The after-tax loss of \$3,321,806 was in line with budget expectations;
- Revenue of \$73,500 arose from interest earned on funds on deposit;
- Research and development expenditure of \$337,695 and expenditure on clinical trials of \$1,969,609 was incurred in pursuing the Company's key research and business priorities;
- Cash assets were \$3,173,648 at 31 December 2010;
- During July 2010, commercial scale manufacturing of VitroGro® to the appropriate healthcare standards for human use was successfully completed;
- On 30 September 2010 excellent final human results were announced from the Australian clinical trial of VitroGro® for the treatment of venous ulcers. Treatment of these patients with VitroGro® twice per week, for only 3 weeks (6 doses) produced:
 - Complete healing in 5 out of 30 ulcers (16.7%)
 - Average area of venous ulcer healing; 43%
 - Statistical significance of these results; $p < 0.0001$
 - Average age of patients in the clinical trial; 71 years
 - Average time venous ulcer was present prior to starting the VitroGro® trial; 12 months
 - Average time the venous ulcers were unresponsive to expert treatment prior to entering the VitroGro® trial; 9 monthsThe results of this clinical trial are currently being prepared for scientific publication;
- During December 2010 severe winter weather in the UK forced the temporary halt of the EU multicentre trial of VitroGro® for the treatment of venous ulcers. This was restarted on 10 January 2011; and
- During the half year ended 31 December 2010, further VitroGro® patents were granted in the USA, Japan and Australia and the first VitroGro® patent was granted in the EU.

DIRECTORS' REPORT (continued)

Auditor's Declaration

The lead 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 2010.

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



Greg Baynton
DIRECTOR

Brisbane, 9 February 2011

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



Lawler Hacketts Audit

Brisbane, 9 February 2011



**L J Murphy
Partner**

HALF-YEAR FINANCIAL STATEMENTS

Condensed Statement of Comprehensive Income

	Note	Current period \$	Previous corresponding period \$
Continuing operations			
Revenue	2	-	111,830
Other income	2	73,500	24,592
		73,500	136,422
Research & development		(337,695)	(466,076)
Clinical trials		(1,969,609)	(324,546)
Administration		(550,762)	(417,067)
Occupancy		(8,663)	(9,479)
Marketing, business development and patent protection		(199,447)	(93,833)
Raw materials and consumables		-	(6,539)
Finance costs		(1,557)	(6,226)
Depreciation		(6,902)	(5,471)
Foreign exchange loss		(62,197)	(112,741)
Inventory amortisation		(174,105)	(174,105)
Other expenses		(277,950)	(164,478)
Loss before income tax		(3,515,387)	(1,644,139)
Income tax benefit		193,581	81,535
Net loss after tax		(3,321,806)	(1,562,604)
Other comprehensive income/(loss)			
Other comprehensive income items		-	-
Income tax benefit relating to components of other comprehensive income		-	-
Other comprehensive income/(loss) after tax		-	-
Total comprehensive income/(loss)		(3,321,806)	(1,562,604)
Loss attributable to:			
Members of the entity		(3,321,806)	(1,562,604)
Total comprehensive income/(loss) attributable to Members of the entity		(3,321,806)	(1,562,604)
Earnings per share		Cents	Cents
Basic earnings per share	8	(2.40)	(1.67)
Diluted earnings per share		(2.40)	(1.67)

The above condensed statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Statement of Financial Position

	Note	At end of current period \$	At end of period for last annual report \$
Current assets			
Cash and cash equivalents		3,173,648	5,500,285
Receivables		51,833	242,564
Inventories	4 (a)	378,648	335,528
Deferred tax assets		106,387	189,807
Other assets		62,733	739,698
Total current assets		3,773,249	7,007,882
Non-current assets			
Inventories	4 (b)	868,900	1,043,005
Property, plant and equipment		93,054	105,142
Intangible assets		342,250	342,250
Total non-current assets		1,304,204	1,490,397
Total assets		5,077,453	8,498,279
Current liabilities			
Payables		406,487	555,884
Total current liabilities		406,487	555,884
Total liabilities		406,487	555,884
Net assets		4,670,966	7,942,395
Equity			
Issued capital	5	25,291,808	25,276,808
Options reserve		208,783	173,406
Accumulated losses		(20,829,625)	(17,507,819)
Total equity		4,670,966	7,942,395

The above condensed statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Statement of Changes in Equity

	Note	Current period \$	Previous corresponding period \$
Contributed equity			
Ordinary shares at beginning of period		25,276,808	17,556,691
Shares issued during period		15,000	8,164,827
Transaction costs		-	(391,726)
Balance of shares at end of period		25,291,808	25,329,792
Options reserve			
Options reserve at beginning of period		173,406	152,918
Share options expensed during the period		35,377	2,256
Balance of options reserve at end of period		208,783	155,174
Accumulated losses			
Accumulated losses at beginning of period		(17,507,819)	(14,021,420)
Losses to members of the entity		(3,321,806)	(1,562,604)
Accumulated losses at end of period		(20,829,625)	(15,584,024)
Total equity at the end of the period		4,670,966	9,900,942

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

	Note	Current period \$	Previous corresponding period \$
Cash flows related to operating activities			
Receipts from customers		-	-
Other – research grants received		129,419	199,310
Payments to suppliers and employees		(2,328,477)	(410,012)
Payments for research & development and clinical trials		(429,325)	(709,022)
Interest received		73,500	24,592
Income tax rebate received		277,000	268,397
Interest and other costs of finance paid		(1,557)	(6,226)
Net operating cash flows		(2,279,440)	(632,961)
Cash flows related to investing activities			
Payment for property, plant and equipment		-	(14,029)
Net investing cash flows		-	(14,029)
Cash flows related to financing activities			
Proceeds from issues of shares and other equity securities		15,000	8,164,828
Cost of share issue		-	-
Net financing cash flows		15,000	8,164,828
Net increase (decrease) in cash held		(2,264,440)	7,517,838
Cash and cash equivalents at beginning of period		5,500,285	791,369
Foreign currency movement		(62,197)	(112,741)
Cash and cash equivalents at end of period	6	3,173,648	8,196,466

The above condensed statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

Note 1 Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This half-year financial report is intended to provide users with an update on the latest annual financial statements of Tissue Therapies Limited ("the company"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the company. It is therefore recommended that this half-year financial report be read in conjunction with the annual financial statements of Tissue Therapies Limited for the year ended 30 June 2010, together with any public announcements made during the half-year.

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.

(a) Reporting basis and conventions

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Going concern basis appropriate

Although the company has recorded an operating loss of \$3,321,806 the cash utilised in operating activities amounted to \$2,279,440, of which \$1,222,325 related to payments for inventory. The company's remaining cash balances at 31 December 2010 were \$3,173,648, together with the company's future operating activities and cash requirements, have been taken into consideration when determining whether the company will have sufficient funds to prepare the company's half-year financial report on a going concern basis.

Note 2 Revenue and expenses

	Current period \$	Previous corresponding period \$
Revenue from operating activities		
Research grants	-	111,830
Total revenue from operating activities	-	111,830
Revenue from non operating activities		
Interest revenue	73,500	24,592
Other income from non operating activities	73,500	24,592

Note 3 Segment Information

The company predominantly operates in one business segment being biotechnology. The company's customers and clients are located predominantly in Australia.

Note 4(a) Inventories - current

	At end of current period \$	At end of period for last annual report \$
VitroGro ® Protein– at cost	378,648	335,528

Note 4(b) Inventories - non-current

	At end of current period \$	At end of period for last annual report \$
VitroGro ® Protein Components – at net realisable value	868,900	1,043,005

Note 5 Issued and quoted securities at end of current period

Category of securities	Number	Issue price per security Cents	Amount paid up per security Cents	\$
Ordinary securities				
Opening balance at beginning of period – 1 July 2010	138,201,447			25,276,808
Share issues on exercise of options	100,000	15c	15c	15,000
Transaction costs				-
Total Ordinary Securities	138,301,447			25,291,808

Note 6 Reconciliation of cash and cash equivalents

	At end of current period \$	At end of previous corresponding period \$
Cash on hand and at bank	80,534	13,627
Deposits at call	3,093,114	8,182,839
Total cash and cash equivalents at end of period	3,173,648	8,196,466

Note 7 Contingent assets and liabilities

There has been no change in contingent assets and liabilities since the last annual reporting date.

Note 8 Earnings per security (“EPS”)

Details of the basic and diluted EPS are as follows:

	Current period Cents	Previous corresponding period Cents
Basic earnings per security	(2.40)	(1.67)
Diluted earnings per security	(2.40)	(1.67)
Weighted average number of ordinary shares used in calculation of Basic earnings per security	138,230,251	93,841,728
Weighted average number of ordinary shares used in calculation of Diluted earnings per security	138,230,251	93,841,728

The diluted EPS calculation includes that portion of share options assumed to be issued at nil consideration, weighted with reference to the date of conversion. The weighted average number included for the current period and previous corresponding period is nil due to the options outstanding for the periods not being considered dilutive as the EPS is negative.

Note 9 Events occurring after the balance sheet date

The following events of significance have occurred subsequent to 31 December 2010:

- During January 2011, the multicentre EU clinical trial of VitroGro® for the treatment of venous ulcers restarted following the earlier disruption caused by severe winter weather in the UK.
- During January 2011 very satisfactory progress was made in commercial negotiations with the international wound and health care companies interested in partnering with Tissue Therapies for the world wide rollout of a new range of VitroGro® wound care dressings.

Note 10 Dividends

No dividend has been paid for the half-year ended 31 December 2010. As at 31 December 2010 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 8 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 company's financial position as at 31 December 2010 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.

TISSUE THERAPIES LIMITED



Greg Baynton
DIRECTOR

Brisbane, 9 February 2011

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

We have reviewed the accompanying half-year financial report of Tissue Therapies Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory notes, 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 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31 December 2010 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, 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 is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2010 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.



Lawler Hacketts Audit

Brisbane, 9 February 2011



L J Murphy
Partner