

Mesoblast UK Limited
Financial Statements
For the year ended 30 June 2014

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Mesoblast UK Limited
Directors' Report
For the year ended 30 June 2014

The directors present their report and the unaudited financial statements of the company for the year ended 30 June 2014.

Details of Directors

The sole Director for the period was Silviu Itescu.

Political and charitable donations

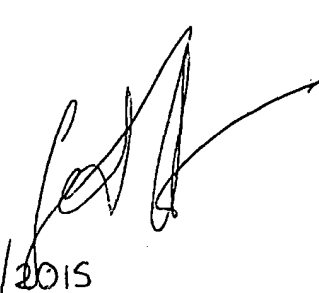
During the year, the company did not make any political or charitable donations.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Silviu Itescu
Director

Date: 22/6/2015



Mesoblast UK Limited

Audit Exemption Statement

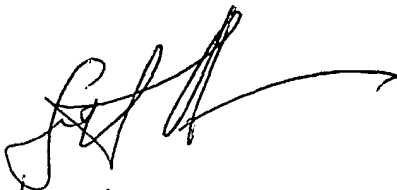
For the period ending 30 June 2014 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' Responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476, and
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The accounts have been prepared in accordance with the special provisions applicable to companies subject the small companies' regime.

Silviu Itescu
Director



Date: 22/6/2015

Mesoblast UK Limited**Income Statement for the year ended 30 June 2014**

		Year Ended 30 June 2014	Year Ended 30 June 2013
	Note	GBP	GBP
Other income	3(a)	13,658	-
		13,658	-
Expenses from continuing operations	3(b)		
Management and administration		(221,079)	(4,026)
		(221,079)	(4,026)
Loss before income tax		(207,421)	(4,026)
Income tax expense	8	-	-
Loss attributable to the owners of Mesoblast UK Ltd		(207,421)	(4,413)

Mesoblast UK Limited**Balance Sheet for the year ended 30 June 2014**

	Note	As at 30 June 2014 GBP	As at 30 June 2013 GBP
Assets			
Non-Current Assets			
Other non-current assets	4(a)	76,374	69,363
Total Non-Current Assets		76,374	69,363
Total Assets		76,374	69,363
Liabilities			
Current Liabilities			
Trade and other payables	4(b)	20,739	-
Total Current Liabilities		20,739	-
Non-Current Liabilities			
Other payables	4(c)	269,253	73,775
Total Non-Current Liabilities		269,253	73,775
Total Liabilities		289,992	73,775
Net Assets		(213,618)	(4,412)
Equity			
Issued Capital	6	1	1
Reserves	7	(1,785)	-
(Accumulated losses)/retained earnings		(211,834)	(4,413)
Total Equity		(213,618)	(4,412)

Approval

The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 2006 (the Act) relating to the audit of the financial statements for the year by virtue of section 477, and that no member or members have requested an audit pursuant to section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Silviu Itescu
Director

Date: 22/6/2015

Mesoblast UK Limited

Notes to the Financial Statements for the year ended 30 June 2014

General Information

Mesoblast UK Limited ("the subsidiary") is a wholly owned subsidiary of Mesoblast Limited ("ultimate holding company"), incorporated in Australia. These financial statements have been prepared from the records of the subsidiary and reflect only transactions recorded therein.

Mesoblast UK Limited wholly owns Mesoblast International Sarl, incorporated in Switzerland. Mesoblast UK Limited has elected to not prepare consolidated financial statements and has prepared separate financial statements under the exemption in accordance with IFRS as adopted by the EU. Mesoblast UK Limited has prepared separate financial statements to comply with the Companies Act 2006.

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the consolidated financial statements of the ultimate holding company. The consolidated financial statements of Mesoblast Limited comply with IFRS have been produced for public use and can be obtained on the Australian Securities Exchange website (ASX).

Note 1 - Significant accounting policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and with the International Financial Reporting Standards as issued by the International Accounting Standards Board and other mandatory professional reporting requirements as adopted by the EU. Mesoblast UK Limited is a for-profit entity for the purpose of preparing the financial statements.

These financial statements have been prepared under the historical cost basis.

(b) Going Concern

As at 30 June 2014, Mesoblast UK Limited is in net liabilities position of GBP213,618 (2013: GBP4,412). The financial statements have been prepared on a going concern basis as the parent entity has undertaken to provide continuing financial support to enable the subsidiary to carry on its business and meet its liabilities as and when they fall due.

(c) Foreign currency translation

The financial statements are presented in British Pound (GBP), which is the functional currency of the subsidiary.

Transactions in a currency other than British Pound ("functional currency") are translated into British Pound using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Mesoblast UK Limited

Notes to the Financial Statements for the year ended 30 June 2014

Note 1 - Significant accounting policies (continued)

(d) Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the subsidiary prior to the end of financial year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(e) Share-based payments

Share-based payments are provided to employees, directors and consultants via the Mesoblast Employee Share Option Plan (ESOP).

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at grant date. Fair value measurement is carried out by management of the ultimate holding company. Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on management's estimate of when options will eventually vest, with a corresponding increase in liability to the ultimate holding company. The corresponding increase in equity is recorded in the ultimate holding company through the reserves. At the end of each period, management of the ultimate holding company revises its estimates of the number of share-based payments that are expected to vest based on the non-market vesting conditions. The impact of the revision to original estimates, if any, is recognized in profit or loss, with a corresponding adjustment to the ultimate holding company loan account.

(e) Income taxes

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

(f) Contributed equity

Ordinary shares are classified as equity.

Mesoblast UK Limited

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 2 - Comparative Information

These accounts have been prepared for the year ended 30 June 2014. Comparative financial information provided is for the year ended 30 June 2013.

Note 3 - Other income and expenses from continuing operations

	Year Ended 30 June 2014 GBP	Year Ended 30 June 2013 GBP
(a) Other Income		
Foreign exchange gains	13,658	-
	<u>13,658</u>	<u>-</u>
(b) Expenses from continuing operations		
Employee benefits		
Equity settled share-based payment transactions	175,614	-
Total Employee benefits	<u>175,614</u>	<u>-</u>
Other Management & administration expenses		
Overheads & administration	3,091	4,026
Consultancy	41,483	-
Legals, patent and other professional fees	891	-
Total Other Management & administration expenses	<u>45,465</u>	<u>4,026</u>
Total expenses from continuing operations	<u>221,079</u>	<u>2,413</u>

Note 4 - Financial assets and liabilities

The subsidiary holds the following financial instruments:

Financial assets	Note	Financial assets at amortized cost GBP	Total GBP
2014			
Other non-current assets	4(a)	76,374	76,374
		<u>76,374</u>	<u>76,374</u>
2013			
Other non-current assets	4(a)	69,363	69,363
		<u>69,363</u>	<u>69,363</u>

Mesoblast UK Limited

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 4 - Financial assets and liabilities (continued)

Financial liabilities	Notes	Financial assets at amortized cost GBP	Total GBP
2014			
Trade and other payables	4(b)	20,739	20,739
Other payables	4(c)	269,253	269,253
		<u>289,992</u>	<u>289,992</u>
2013			
Trade and other payables	4(b)	-	-
Other payables	4(c)	73,775	73,775
		<u>73,775</u>	<u>73,775</u>

The subsidiary's exposure to various risks associated with the financial instruments is discussed in Note 5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

	Year Ended 30 June 2014 GBP	Year Ended 30 June 2013 GBP
(a) Other non-current assets		
Investment in subsidiary	76,374	69,363
	<u>76,374</u>	<u>69,363</u>
(b) Trade and other payables		
Trade and other payables	20,739	-
	<u>20,739</u>	<u>-</u>

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

(c) Other payables		
Loan to ultimate holding company	269,253	73,775
	<u>269,253</u>	<u>73,775</u>

Other payable to ultimate holding company is unsecured, interest-free and repayable on demand.

Mesoblast UK Limited

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 5 - Financial risk management

The subsidiary's activities expose it to a variety of financial risks: (a) market risk (including currency risk and interest rate risk), (b) credit risk, (c) liquidity risk and (d) capital risk.

Risk management is carried out by management of the ultimate holding company.

(a) Market risk

(i) Currency risk

The primary currency exposure to the subsidiary is foreign currency amounts owing in Australian dollars ("AUD") as tabled below. These foreign currency balances give rise to a currency risk, which is the risk of the exchange rate moving, in either direction, and the impact it may have on the subsidiary's financial performance.

		20%	-20%
	Foreign currency balance held	Profit/(Loss) GBP	Profit/(Loss) GBP
At 30 June 2014			
Trade payables & accruals - AUD	(37,500)	3,457	(5,185)
Net Assets		3,457	(5,185)

		20%	-20%
	Foreign currency balance held	Profit/(Loss) GBP	Profit/(Loss) GBP
At 30 June 2013			
Trade payables & accruals - AUD	-	-	-
Net Assets		-	-

(ii) Interest rate risk

The subsidiary does not have financial assets or liabilities that are exposed to interest rate risk.

(b) Credit risk

The subsidiary is not exposed to credit risk.

(c) Liquidity risk

The subsidiary manages liquidity risk by making arrangements with the the ultimate holding company to make available funding to enable it to meet its operational requirements, should it be necessary.

(d) Capital risk

The subsidiary's objective when managing capital is to ensure that it is adequately funded by the ultimate holding company. The subsidiary is not subject to any externally imposed capital requirements.

Mesoblast UK Limited

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 6 - Issued Capital

Contributed equity	2014 Shares	2013 Shares	2014 GBP	2013 GBP
<i>(i) Share capital</i>				
Ordinary shares	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

	As at 30 June 2014 (GBP)	As at 30 June 2013 (GBP)
<i>(ii) Movements in ordinary share capital</i>		
Balance 1 July	1	1
Movement during the year	-	-
Balance 30 June	<u>1</u>	<u>1</u>

Note 7 - Reserves

	As at 30 June 2014 (GBP)	As at 30 June 2013 (GBP)
Foreign currency translation reserve		
Balance 1 July	-	-
Currency (loss)/gain on translation of foreign operations net assets^	(1,785)	-
Balance 30 June	<u>(1,785)</u>	<u>-</u>

^ Total currency exchange differences on translation of foreign operations

Exchange differences arising on translation of a foreign controlled entity are recognised and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Note 8 - Income taxes

Reconciliation of income tax to prima facie tax payable	30 June 2014 GBP	30 June 2013 GBP
Profit/(loss) from continuing operations before income tax	(207,421)	(4,026)
Tax at the local tax rate of 20% (2013: 20%)	(41,484)	(805)
<i>Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:</i>		
Share-based payments expense	35,123	-
Foreign exchange translation gains/losses	(2,732)	-
Current year tax expense/(benefit)	<u>(9,093)</u>	<u>(805)</u>
Tax benefit not recognized	9,093	805
Income tax expense attributable to profit before income tax	<u>-</u>	<u>-</u>

Mesoblast UK Limited

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 9 - New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 July 2014. The subsidiary does not expect the adoption of those accounting standards or interpretations to have a material impact on the subsidiary's financial statements in the period of its initial adoption.

Note 10 - Events occurring after the reporting period

There are no events that have occurred after 30 June 2014 and prior to the signing of this financial report that would likely have a material impact on the financial results presented.

Mesoblast UK Limited

Directors' Declaration for the year ended 30 June 2014

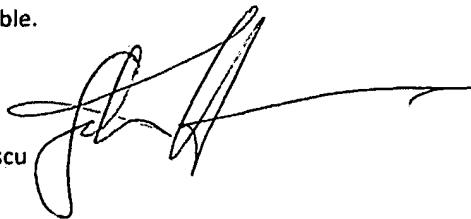
In the directors opinion:

(a) these financial statements:

- (i) Comply with International Financial Reporting Standards as issued by the International Accounting Standards Board and other mandatory professional reporting requirements as adopted by the EU, and
- (ii) Give a true and fair view of the consolidated entity's financial position and performance, and

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

Silviu Itescu
Director



Date: 22/6/2015