

# Appendix 4D

Half-year Report

31 December 2010

## AVITA MEDICAL LIMITED

ABN 28 058 466 523

### Results for announcement to the market

				December 2010 \$	December 2009 \$
<b>Financial Results</b>					
Revenue from ordinary activities (1)	Up	6%	to	2,152,579	2,024,350
Total comprehensive loss for the period	Down	33%	to	965,253	1,444,807
Net loss for the period attributable to owners of the parent	Down	40%	to	786,643	1,315,438

Dividends	Amount per Ordinary Security	Franked amount per security
2010 interim dividend	Nil	Nil
2009 interim dividend	Nil	Nil

Record date for determining entitlements to the 2010 interim dividends	N/A
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Net Tangible Asset Backing	December 2010	December 2009
Net tangible asset backing per ordinary security	\$0.015	\$0.052

#### Other explanatory notes

(1) – Total revenue has increased due to increases in both sales price and volume particularly in Recell and Breath-A-Tech. There has also been a 7% increase in turnover in ReCell and 10% increase in turnover of Breath-A-Tech compared to the same period last year.

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year report. This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the company.

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**AVITA MEDICAL LIMITED**

**A.B.N. 28 058 466 523**

**HALF-YEAR FINANCIAL REPORT**

**31 December 2010**

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## Corporate Information

ABN 28 058 466 523

This half-year report covers the consolidated entity comprising Avita Medical Limited (the Parent Company) and its subsidiaries (the Group). The Parent Company's functional and presentation currency is AUD (\$).

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report on page 4. The directors' report does not form part of the financial report.

### Directors

Mr Dalton Gooding (Chairman)  
Mr Ian Macpherson (Deputy Chairman)  
Mr William Dolphin  
Mr Paul Watt  
Prof Fiona Wood

### Company Secretary

Mr Gabriel Chiappini

### Registered Office

Level 9, The Quadrant  
1 William Street  
Perth, Western Australia, 6000  
Email: [investor@avitamedical.com](mailto:investor@avitamedical.com)

### Principal Place of Business

132 - 134 Hills Road  
Cambridge  
CB2 8PA  
United Kingdom

### Share Registry

Computershare Investor Services Pty Limited  
Level 2  
45 St Georges Terrace  
Perth, Western Australia, 6000

### Solicitors

Blakiston & Crabb  
1202 Hay Street  
West Perth, Western Australia, 6005

### Auditor

Ernst & Young  
11 Mounts Bay Road  
Perth, Western Australia, 6000

### Principal Bankers

National Australia Bank Limited  
1238 Hay Street  
West Perth, Western Australia, 6000

### Stock Exchange

Avita Medical Limited  
is listed on the Australian Stock Exchange  
Limited (ASX : Code: AVH).

**DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

Your directors submit their report for the half-year ended 31 December 2010.

**DIRECTORS**

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dalton Gooding (Chairman)

Ian Macpherson (Deputy Chairman)

William Dolphin (Managing Director)

Paul Watt

Fiona Wood

**REVIEW AND RESULTS OF OPERATIONS**

In the 6 month period to 31 December 2010 the net loss after tax decreased to \$786,643 (2009: \$1,315,438) representing a decrease of 40% on the previous corresponding half year. Total revenue for the half year was \$2,152,579 (2009: \$2,024,350) representing an increase of 6%.

Operating costs decreased during the period to \$2,511,923 (2009: \$3,074,449) representing a decrease of 18% on the previous corresponding half year.

**EVENTS SUBSEQUENT TO BALANCE DATE**

The Company announced to the Australian Securities Exchange (ASX) on 4 February 2011 that it had issued 5,951,178 shares at an allotment price of \$0.12 per share to raise \$714,141. As part of the share allotment a total of 2,975,589 unlisted options with an exercise price of \$0.20 and an expiry date of 31 January 2011 were allotted.

**AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditors, Ernst & Young, refer following page.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Chairman \_\_\_\_\_  
Mr Dalton Gooding

Dated this 25 day of February 2011

## Auditor's Independence Declaration to the Directors of Avita Medical Limited

In relation to our review of the financial report of Avita Medical Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Gavin A Buckingham  
Partner  
Perth  
25 February 2011

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	CONSOLIDATED	
		2010 \$	2009 \$
<b>Continuing operations</b>			
Sale of goods		1,498,913	1,379,800
Other revenue	2	653,666	644,550
<b>Revenue</b>	2	<u>2,152,579</u>	<u>2,024,350</u>
Cost of sales		<u>(427,299)</u>	<u>(441,641)</u>
<b>Gross Profit</b>		1,725,280	1,582,709
<b>Operating Costs</b>			
Administrative expenses		(2,392,692)	(1,864,313)
Research and development expenses		(111,938)	(92,155)
Sales and marketing expenses		(788,173)	(675,170)
Finance costs		(11,557)	(138,311)
Fair value movements in financial derivative		1,096,937	-
Amortisation of intellectual property		(304,500)	(304,500)
<b>Loss from continuing operations before income tax</b>		<u>(786,643)</u>	<u>(1,491,740)</u>
Income tax benefit		-	176,302
<b>Loss for the period</b>		<u>(786,643)</u>	<u>(1,315,438)</u>
<b>Other comprehensive income / (expense)</b>			
Foreign currency translation		(178,610)	(129,369)
Income tax on items of other comprehensive income		-	-
Other comprehensive (expense) / income for the period, net of tax		<u>(178,610)</u>	<u>(129,369)</u>
<b>Total comprehensive expense for the period</b>		<u>(965,253)</u>	<u>(1,444,807)</u>
<b>Loss for the period attributable to owners of the parent</b>		<u>(786,643)</u>	<u>(1,315,438)</u>
<b>Total comprehensive expense attributable to owners of the parent</b>		<u>(965,253)</u>	<u>(1,444,807)</u>
Basic loss per share attributable to ordinary equity holders of the parent		(0.71) cents	(1.34) cents
Diluted loss per share attributable to ordinary equity holders of the parent		(0.71) cents	(1.34) cents

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010

	Note	Consolidated	
		31/12/10	30/06/10
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,880,437	3,865,802
Other financial assets		-	200,000
Trade and other receivables		1,085,798	953,153
Prepayments		91,018	144,943
Inventories		861,735	772,320
<b>Total Current Assets</b>		<b>4,918,988</b>	<b>5,936,218</b>
<b>Non-Current Assets</b>			
Plant & equipment		95,684	113,299
Intangible assets		2,889,388	3,193,888
<b>Total Non-Current Assets</b>		<b>2,985,072</b>	<b>3,307,187</b>
<b>TOTAL ASSETS</b>		<b>7,904,060</b>	<b>9,243,405</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,299,361	1,161,208
Provisions		47,462	54,143
<b>Total Current Liabilities</b>		<b>1,346,823</b>	<b>1,215,351</b>
<b>Non-Current Liabilities</b>			
Financial liability at fair value through profit or loss		2,012,000	3,350,000
<b>Total Non-Current Liabilities</b>		<b>2,012,000</b>	<b>3,350,000</b>
<b>TOTAL LIABILITIES</b>		<b>3,358,823</b>	<b>4,565,351</b>
<b>NET ASSETS</b>		<b>4,545,237</b>	<b>4,678,054</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	6	89,374,236	88,877,236
Accumulated Losses		(88,076,228)	(87,289,585)
Reserves		3,247,229	3,090,403
<b>TOTAL EQUITY</b>		<b>4,545,237</b>	<b>4,678,054</b>

**STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Consolidated	
	31/12/10	31/12/09
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,274,296	1,534,167
Payments to suppliers and employees	(3,331,926)	(3,052,068)
Tax refund received	91,971	176,302
Interest and other income received	653,665	618,646
	<u>(1,311,994)</u>	<u>(722,953)</u>
<b>Cash flows from investing activities</b>		
Payments for plant & equipment	(52,179)	(57,232)
	<u>(52,179)</u>	<u>(57,232)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	1,897,989
Payment for term liability	(90,278)	(308,334)
Proceeds from issue of convertible notes	848,450	-
Repayment of convertible notes	(500,000)	-
Release of secured deposit	200,000	-
Capital raising expenses	-	(50,000)
	<u>458,172</u>	<u>1,539,655</u>
<b>Net cash flows from / (used in) financing activities</b>		
	<u>458,172</u>	<u>1,539,655</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	(906,001)	759,470
Cash and cash equivalents at beginning of period	3,865,802	3,477,104
Impact of foreign exchange	(79,364)	(36,294)
	<u>2,880,437</u>	<u>4,200,280</u>
<b>Cash and cash equivalents at end of period</b>		
	<u>2,880,437</u>	<u>4,200,280</u>

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	417,517	485,674
Short-term deposits	2,462,920	3,714,606
	<u>2,880,437</u>	<u>4,200,280</u>

During the period \$497,000 has been recognised in equity which represents the fair value of the convertible notes which were converted to 3,558,515 shares.



**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

Consolidated	Contributed equity	Accumulated losses	Option premium reserve	Employee equity benefit reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
<b>At 1 July 2010</b>	88,877,236	(87,289,585)	2,277,759	966,720	(154,076)	4,678,054
Loss for the period	-	(786,643)	-	-	-	(786,643)
Other comprehensive income	-	-	-	-	(178,611)	(178,611)
Total comprehensive income for the half year	-	(786,643)	-	-	(178,611)	(965,254)
Transactions with owners in their capacity as owners						
Share based payments	-	-	-	335,437	-	335,437
Issue of share capital net of issue cost	497,000	-	-	-	-	497,000
<b>Balance at 31 December 2010</b>	<b>89,374,236</b>	<b>(88,076,228)</b>	<b>2,277,759</b>	<b>1,302,157</b>	<b>(332,687)</b>	<b>4,545,237</b>

Consolidated	Contributed Equity	Accumulated Losses	Option premium reserve	Employee equity benefit reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
<b>At 1 July 2009</b>	86,824,320	(81,400,222)	2,277,759	912,369	(24,345)	8,589,881
Loss for the period	-	(1,315,438)	-	-	-	(1,315,438)
Other comprehensive income	-	-	-	-	(129,369)	(129,369)
Total comprehensive income for the half year	-	(1,315,438)	-	-	(129,369)	(1,444,807)
Transactions with owners in their capacity as owners						
Share based payments	-	-	-	27,174	-	27,174
Issue of share capital net of issue cost	1,847,989	-	-	-	-	1,847,989
<b>Balance at 31 December 2009</b>	<b>88,672,309</b>	<b>(82,715,660)</b>	<b>2,277,759</b>	<b>939,544</b>	<b>(153,715)</b>	<b>9,020,237</b>

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Avita Medical Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

#### Changes in Accounting Policy

From 1 July 2010 the Group has adopted the following Standards and Interpretations, mandatory for financial reporting periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 5, 8, 101, 107, 117, 118, 136 & 139]
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
AASB 2010-3	Amendments to Australian Interpretation arising from the Annual Improvements Project [AASBs 3, 7, 121, 128, 131, 132 & 139]
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The Group has not early adopted any other standards or amendments that are issued but not yet effective.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

2. REVENUE

	CONSOLIDATED	
	2010 \$	2009 \$
<b>Revenue</b>		
Sale of goods	1,498,913	1,379,800
Other revenue	653,666	644,550
	<b>2,152,579</b>	<b>2,024,350</b>
<b>Other revenue</b>		
Bank interest receivable	71,212	71,974
Royalty income	210,390	201,428
Grants received	342,331	371,148
Other revenue	29,733	-
	<b>653,666</b>	<b>644,550</b>

3. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No amounts have been paid, declared or recommended by Avita Medical Limited by way of dividend since the commencement of the half-year, and up to the date of this report.

4. COMMITMENTS AND CONTINGENCIES

There have been no significant changes to the commitments and contingencies disclosed in the most recent annual financial report.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**5. OPERATING SEGMENTS**

The Group's chief operating decision maker has been identified as the Chief Executive Officer.

The Chief Executive Officer reviews the financial and operating performance of the business primarily from a geographic perspective. On this basis management have identified three reportable segments being the Asia Pacific region, the Americas including Canada, the EMEA region (Europe, Middle East and Africa). The Chief Executive Officer monitors the performance of all these segments separately. The Group does not operate in any other geographic segment.

The Chief Executive Officer assesses the performance of the operating segments based on a measure of gross margin and net profit before tax.

**Unallocated**

The following items of income and expense and associated assets are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Corporate revenue
- Corporate charges
- Amortisation of intellectual property

The segment information provided to the Chief Executive Officer for the reportable segments for the half year ended 31 December 2010 is as follows:

	<i>Continuing Operations</i>			<i>Total</i>
	<i>Asia Pacific</i>	<i>Europe</i>	<i>Americas</i>	
	\$	\$	\$	\$
<b>Half-year ended 31 December 2010</b>				
<b>Revenue</b>				
Sales to external customers	1,292,340	178,940	27,633	1,498,913
Other revenue from external customers	240,123	-	342,331	582,454
Interest received	8,045	119	607	8,771
Total segment revenue	<u>1,540,508</u>	<u>179,059</u>	<u>370,571</u>	<u>2,090,138</u>
Unallocated				62,441
Total revenue per statement of comprehensive income				<u>2,152,579</u>
Segment net profit / (loss) before tax	<u>498,822</u>	<u>(541,250)</u>	<u>(547,062)</u>	<u>(589,490)</u>
<b>Reconciliation of segment net result before tax to loss before income tax</b>				
Corporate charges				(989,590)
Amortisation of intellectual property				(304,500)
Fair value movement in financial derivative				1,096,937
Loss before income tax				<u>(786,643)</u>
<b>Segment assets</b>				
Segment operating assets	<u>902,711</u>	<u>290,711</u>	<u>1,083,185</u>	2,276,607
Unallocated assets				<u>5,627,453</u>
Total assets per the statement of financial position				<u>7,904,060</u>

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**Segment liabilities**

Segment operating liabilities	145,259	144,758	470,036	760,053
Unallocated liabilities				2,598,770
Total liabilities per the statement of financial position				3,358,823

	<i>Continuing Operations</i>			<i>Total</i>
	<i>Asia Pacific</i>	<i>Europe</i>	<i>Americas</i>	
	\$	\$	\$	\$
<b>Half-year ended 31 December 2009</b>				
<b>Revenue</b>				
Sales to external customers	1,163,076	216,724	-	1,379,800
Other revenue from external customers	201,428	-	371,148	572,576
Interest received	11,573	7,570	1,319	20,462
Total segment Revenue	1,376,077	224,294	372,467	1,972,838
Unallocated				51,512
Total revenue per statement of comprehensive income				2,024,350
Segment net profit / (loss) before tax	554,998	(622,681)	(343,502)	(411,185)
<b>Reconciliation of segment net result before tax to loss before income tax</b>				
Corporate charges				(776,055)
Amortisation of intellectual property				(304,500)
Loss before income tax				(1,491,740)
<b>Segment assets</b>				
Segment operating assets	1,574,554	442,593	641,979	2,659,126
Unallocated assets				7,254,249
Total assets per the statement of financial position				9,913,375
<b>Segment liabilities</b>				
Segment operating liabilities	327,184	161,246	210,924	699,354
Unallocated liabilities				193,784
Total liabilities per the statement of financial position				893,138

There was no material difference between the basis of segmentation and the measurement of segment result compared to the 30 June 2010 annual report.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**6. CONTRIBUTED EQUITY**

	CONSOLIDATED	
	31/12/2010	31/12/09
	\$	\$
<i>Ordinary shares</i> Issued and fully paid	89,374,236	88,672,309

	Number	\$
<i>Movement in ordinary shares on issue</i>		
At 1 July 2010	107,874,631	88,877,236
Shares issued	3,558,515	497,000
At 31 December 2010	111,433,146	89,374,236

**7. RELATED PARTY DISCLOSURES**

The total amount of transactions entered into with key management personnel for the half-year ended 31 December 2010 are as follows:

- a. During the period research and development fees of \$85,748 (2009: \$86,520) were paid to the McComb Foundation, which has one director, F Wood, in common with the Company.
- b. During the period fees of \$59,379 (2009: \$74,157) were paid under normal terms and conditions to Gooding Partners, chartered accountants, of which D Gooding is a partner.
- c. During the period fees of \$16,268 (2009: \$1,115) were paid under normal terms and conditions to Ord Nexia, chartered accountants, of which I Macpherson is a director.
- d. Included in receivables, as at 31 December 2010, is an amount of \$174,445 owing by W Dolphin to the Company. The amount relates to tax payments owed by the Company on behalf of W Dolphin that will be refunded.

**8. EVENTS SUBSEQUENT TO BALANCE DATE**

The Company announced to the Australian Securities Exchange (ASX) on 4 February 2011 that it had issued 5,951,178 shares at an allotment price of \$0.12 per share to raise \$714,141. As part of the share allotment a total of 2,975,589 unlisted options with an exercise price of \$0.20 and an expiry date of 31 January 2011 were allotted.

Except as disclosed above, no subsequent events have occurred since the Reporting Date which require disclosure in the half-year report.

**DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Avita Medical Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the financial position at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Dalton Gooding  
Chairman**

Dated: 25 February 2011  
Perth, Western Australia

To the members of Avita Medical Limited

## Report on the Consolidated Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Avita Medical Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

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

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 consolidated entity'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 Avita Medical Limited and the entities it controlled during the half-year ended 31 December 2010, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Avita Medical Limited 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 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 the *Corporations Regulations 2001*.



Ernst & Young



Gavin A Buckingham  
Partner  
Perth  
25 February 2011