

# Appendix 4D

Half-year Report  
31 December 2012

## AVITA MEDICAL LIMITED

ABN 28 058 466 523

### Results for announcement to the market

Financial Results				December 2012 \$	December 2011 \$
Sale of goods	Down	21%	to	1,352,464	1,717,559
Other revenue	Down	46%	to	519,630	954,236
Total comprehensive loss for the period	Up	79%	to	3,804,869	2,120,349
Net loss for the period attributable to owners of the parent	Up	78%	to	3,798,736	2,139,846

Dividends	Amount per Ordinary Security	Franked amount per security
2011 interim dividend	Nil	Nil
2012 interim dividend	Nil	Nil

Record date for determining entitlements to the 2012 interim dividends	N/A
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Net Tangible Asset Backing	December 2012	December 2011
Net tangible asset backing per ordinary security	\$0.045	\$0.050

Other explanatory notes
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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.

**AVITA MEDICAL LIMITED**

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

**HALF-YEAR FINANCIAL REPORT**

**31 December 2012**

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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 (resigned 14 October 2012)  
Prof Fiona Wood  
Mr Matthew McNamara (appointed 14 October 2012)  
Mr Jeremy Curnock-Cook (appointed 14 October 2012)  
Mr Michael Perry (appointed 6 February 2013)

### **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**

Gilbert & Tobin  
1202 Hay Street  
West Perth, Western Australia, 6005

### **Auditor**

Grant Thornton Audit Pty Ltd  
Level 1, 10 Kings Park Road  
Perth, Western Australia, 6005

### **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 2012**

Your directors submit their report for the half-year ended 31 December 2012.

**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 (resigned 14 October 2012)

Fiona Wood

Matthew McNamara (appointed 14 October 2012)

Jeremy Curnock-Cook (appointed 14 October 2012)

Michael Perry (appointed 6 February 2013)

**REVIEW AND RESULTS OF OPERATIONS**

In the 6 month period to 31 December 2012 the sale of goods was \$1,352,464 (2011: \$1,717,559) representing a decrease of 21% over the same period ending 31 December 2011. Other revenue in the period was \$519,630 (2011: \$954,236) resulting in a 46% decrease compared to the same period last year and was primarily attributable to the cessation of royalty revenues from Philips Respironics (2011: \$276,799) with the expiration of the licensing agreement in May 2012.

Operating costs increased during the period to \$5,313,064 (2011: \$4,264,689) representing an increase of 25% on the previous corresponding half year. Net loss after tax increased to \$3,798,736 (2011: \$2,139,846) representing an increase of 78% on the previous corresponding half year. Increased operating costs are attributable to increased expenditure on sales & marketing, research & development and expanded clinical trials.

**EVENTS SUBSEQUENT TO BALANCE DATE**

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Signed in accordance with a resolution of the directors.



**Dalton Gooding  
Chairman**

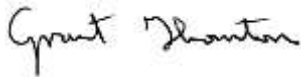
Dated: 26 February 2012  
Perth, Western Australia

**Auditor's Independence Declaration  
To The Directors of Avita Medical Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Avita Medical Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Avita Medical Limited and the entities it controlled during the period.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner - Audit & Assurance

Perth, 26 February 2013

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	CONSOLIDATED	
		31 DEC 2012	31 DEC 2011
		\$	\$
<b>Continuing operations</b>			
Sale of goods	2	1,352,464	1,717,559
Cost of sales		<u>(357,390)</u>	<u>(546,607)</u>
Gross Profit		995,074	1,170,952
Other Revenue	2	519,630	954,236
<b>Operating Costs</b>			
Administrative expenses		(2,711,547)	(2,398,859)
Research and development expenses		(1,162,051)	(228,320)
Sales and marketing expenses		(1,366,440)	(1,294,563)
Finance costs		(26)	(1,994)
Fair value movements in financial derivative		-	(36,453)
Amortisation of intellectual property		(73,000)	(304,500)
Loss from continuing operations before income tax		<u>(3,798,360)</u>	<u>(2,139,501)</u>
Income tax benefit		(376)	(345)
Loss for the period		<u>(3,798,736)</u>	<u>(2,139,846)</u>
<b>Other comprehensive income / (expense)</b>			
Foreign currency translation		(6,133)	19,497
Income tax on items of other comprehensive income		-	-
Other comprehensive (expense) / income for the period, net of tax		<u>(6,133)</u>	<u>19,497</u>
Total comprehensive loss for the period		<u>(3,804,869)</u>	<u>(2,120,349)</u>
Loss for the period attributable to owners of the parent		<u>(3,798,736)</u>	<u>(2,139,846)</u>
Total comprehensive loss attributable to owners of the parent		<u>(3,804,869)</u>	<u>(2,120,349)</u>
Basic loss per share attributable to ordinary equity holders of the parent		(1.47) cents	(0.91) cents

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012

	Note	Consolidated	
		31 Dec 2012	30 June 2012
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		14,284,971	8,230,593
Trade and other receivables		1,151,852	1,461,974
Prepayments		85,316	137,840
Inventories		541,201	715,612
<b>Total Current Assets</b>		<b>16,063,340</b>	<b>10,546,019</b>
<b>Non-Current Assets</b>			
Plant & equipment		93,219	87,051
Intangible assets		-	73,000
<b>Total Non-Current Assets</b>		<b>93,219</b>	<b>160,051</b>
<b>TOTAL ASSETS</b>		<b>16,156,559</b>	<b>10,706,070</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,500,365	1,686,577
Provisions		152,395	465,516
<b>Total Current Liabilities</b>		<b>1,652,760</b>	<b>2,152,093</b>
<b>TOTAL LIABILITIES</b>		<b>1,652,760</b>	<b>2,152,093</b>
<b>NET ASSETS</b>		<b>14,503,799</b>	<b>8,553,977</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Contributed equity	6	111,390,930	101,663,499
Accumulated Losses		(100,475,369)	(96,676,634)
Reserves		3,588,238	3,567,112
<b>TOTAL EQUITY</b>		<b>14,503,799</b>	<b>8,553,977</b>

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,644,320	1,753,247
Payments to suppliers and employees	(5,888,799)	(4,404,303)
Tax refund received	90,123	-
Interest and other income received	519,603	952,242
	<hr/>	<hr/>
Net cash flows used in operating activities	(3,634,753)	(1,698,814)
Cash flows from investing activities		
Payments for plant & equipment	(38,299)	(42,297)
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Net cash flows used in investing activities	(38,299)	(42,297)
Cash flows from financing activities		
Proceeds from issue of shares	10,401,080	-
Capital raising expenses	(673,650)	(94,925)
	<hr/>	<hr/>
Net cash flows from / (used in) financing activities	9,727,430	(94,925)
Net decrease in cash and cash equivalents	6,054,378	(1,836,036)
Cash and cash equivalents at beginning of period	8,230,593	12,669,020
Impact of foreign exchange	-	(851)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>14,284,971</u>	<u>10,832,133</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	879,850	463,520
Short-term deposits	13,405,121	10,368,613
	<hr/>	<hr/>
	<u>14,284,971</u>	<u>10,832,133</u>

The accompanying notes form part of the financial statements.



STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Consolidated	Contributed equity	Accumulated losses	Option premium reserve	Employee equity benefit reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2012	101,663,499	(96,676,634)	2,277,759	1,664,987	(375,634)	8,553,977
Loss for the period	-	(3,798,736)	-	-	-	(3,798,736)
Other comprehensive income	-	-	-	-	(6,133)	(6,133)
Total comprehensive income for the half year	-	(3,798,736)	-	-	(6,133)	(3,804,869)
Transactions with owners in their capacity as owners						
Share based payments	-	-	-	27,260	-	27,260
Issued shares	10,401,080					10,401,080
Capital raising costs	(673,649)	-	-	-	-	(673,649)
Balance at 31 December 2012	111,390,930	(100,475,370)	2,277,759	1,692,247	(381,767)	14,503,799

Consolidated	Contributed Equity	Accumulated Losses	Option premium reserve	Employee equity benefit reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2011	101,758,424	(89,086,505)	2,277,759	1,485,647	(384,830)	16,050,495
Loss for the period	-	(2,139,846)	-	-	-	(2,139,846)
Other comprehensive income	-	-	-	-	19,497	19,497
Total comprehensive income for the half year	-	(2,139,846)	-	-	19,497	(2,120,349)
Transactions with owners in their capacity as owners						
Share based payments	-	-	-	87,601	-	87,601
Capital raising costs	(94,925)	-	-	-	-	(94,925)
Balance at 31 December 2011	101,663,499	(91,226,351)	2,277,759	1,573,248	(365,333)	13,922,822

The accompanying notes form part of the financial statements.

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2012 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 2012 and considered together with any public announcements made by Avita Medical Limited during the half-year ended 31 December 2012 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

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its half year financial statements.

### 2. REVENUE

	CONSOLIDATED	
	2012	2011
	\$	\$
Revenue		
Sale of goods	1,352,464	1,717,559
Other revenue	519,630	954,236
	<b>1,872,094</b>	<b>2,671,795</b>
Other revenue		
Bank interest receivable	197,413	276,834
Royalty income	-	276,799
Contracts received *	311,080	347,649
Other income	11,137	52,954
	<b>519,630</b>	<b>954,236</b>

\* Relates to US Department of Defense FDA trials funding

### 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

As announced in the 30 June 2012 annual report, threat of legal action had been raised by Business China Consulting ('BCC') against the Company in the Hong Kong court. The Company is currently negotiating a settlement with BCC.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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 2012 is as follows:

	<i>Continuing Operations</i>			
	<i>Asia Pacific</i>	<i>Europe &amp;</i>	<i>Americas</i>	<i>Total</i>
	\$	<i>Middle East</i>	\$	\$
		\$		
Half-year ended 31 December 2012				
Revenue				
Sales to external customers	1,108,385	235,984	8,095	1,352,464
Other revenue from external customers	11,137	-	311,080	322,217
Interest received	195,343	1,163	907	197,413
Total revenue per statement of comprehensive income	<u>1,314,865</u>	<u>237,147</u>	<u>320,082</u>	<u>1,872,094</u>
Segment net profit / (loss) before tax	<u>147,007</u>	<u>(1,034,689)</u>	<u>(1,920,354)</u>	<u>(2,808,036)</u>
Reconciliation of segment net result before tax to loss before income tax				
Corporate charges				(917,324)
Amortisation of intellectual property				(73,000)
Loss before income tax				<u>(3,798,360)</u>
Segment assets				
Segment operating assets	<u>919,789</u>	<u>1,697,079</u>	<u>1,004,824</u>	<u>3,621,692</u>
Unallocated assets				<u>12,534,867</u>
Total assets per the statement of financial position				<u>16,156,559</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Segment liabilities				
Segment operating liabilities	140,419	766,881	516,433	1,423,733
Unallocated liabilities				229,027
<b>Total liabilities per the statement of financial position</b>				<b>1,652,760</b>

	<i>Continuing Operations</i>			
	<i>Asia Pacific</i>	<i>Europe</i>	<i>Americas</i>	<i>Total</i>
	\$	\$	\$	\$
Half-year ended 31 December 2011				
Revenue				
Sales to external customers	1,257,581	395,522	64,456	1,717,559
Other revenue from external customers	329,752	-	347,649	677,401
Interest received	275,876	448	511	276,835
<b>Total revenue per statement of comprehensive income</b>	<b>1,863,209</b>	<b>395,970</b>	<b>412,616</b>	<b>2,671,795</b>

Segment net profit / (loss) before tax	615,050	(899,150)	(818,059)	(1,102,159)
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Reconciliation of segment net result before tax to loss before income tax				
Corporate charges				(732,842)
Amortisation of intellectual property				(304,500)
<b>Loss before income tax</b>				<b>(2,139,501)</b>

Segment assets				
Segment operating assets	1,316,182	784,991	1,365,849	3,467,022
Unallocated assets				11,876,309
<b>Total assets per the statement of financial position</b>				<b>15,343,331</b>

Segment liabilities				
Segment operating liabilities	273,412	342,994	126,736	743,142
Unallocated liabilities				677,367
<b>Total liabilities per the statement of financial position</b>				<b>1,420,509</b>

There was no material difference between the basis of segmentation and the measurement of segment result compared to the 30 June 2012 annual report.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

6. CONTRIBUTED EQUITY

	CONSOLIDATED	
	2012	2011
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	111,390,930	101,663,499

	Number	\$
<i>Movement in ordinary shares on issue</i>		
At 1 July 2012	238,182,556	101,663,499
Issue of shares	86,700,848	10,401,080
Capital raising costs	-	(673,649)
At 31 December 2012	324,883,404	111,390,930

7. RELATED PARTY DISCLOSURES

The total amount of transactions entered into with key management personnel for the half-year ended 31 December 2012 are as follows:

- a. During the period research and development fees of \$126,000 (2011: \$155,000) were paid to the McComb Foundation, which has one director, F Wood, in common with the Company.
- b. During the period fees of \$35,728 (2011: \$42,948) were paid under normal terms and conditions to Gooding Partners, chartered accountants, of which D Gooding is a partner.

8. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

**DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

**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 2012 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: 26 February 2013  
Perth, Western Australia

## **Independent Auditor's Review Report To the Members of Avita Medical Limited**

We have reviewed the accompanying half-year financial report of Avita Medical Limited (“the Company”) and its controlled entities (“the Group”), which comprises the consolidated statement of financial position as at 31 December 2012, and 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, a statement of accounting policies, other selected 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 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 the 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 financial position as at 31 December 2012 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, 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.

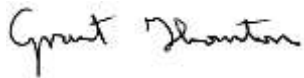
**Independence**

In conducting our review, we 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 Avita Medical Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2012 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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner – Audit & Assurance

Perth, 26 February 2013