

# Appendix 4D

Half-year Report

31 December 2008

## AVITA MEDICAL LIMITED

ABN 28 058 466 523

### Results for announcement to the market

				December 2008 \$	December 2007 \$
<b>Financial Results</b>					
Revenue from ordinary activities (1)	Up	237 %	to	1,655,262	491,202
Loss from ordinary activities after tax attributable to members (2)	Up	60 %	to	2,959,276	1,844,596
Net loss for the period attributable to members	Up	60 %	to	2,959,276	1,844,596

Dividends	Amount per Ordinary Security	Franked amount per security
2008 interim dividend	Nil	Nil
2007 interim dividend	N/A	N/A

Record date for determining entitlements to the 2007 interim dividends	N/A
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Net Tangible Asset Backing	December 2008	December 2007
Net tangible asset backing per ordinary security	\$0.071	\$0.026

#### Other explanatory notes

(1) – Total revenue has increased due to the acquisition of the Visiomed Group on 12 February 2008, which expanded our product portfolio. There has also been an 18% increase in turnover in ReCell.

(2) - Losses have increased due to costs involved in replacing board members, and various corporate expenses such as travel. Most of these increases date back to the acquisition mentioned above.

There has also been a significant increase in Sales and Marketing expenditure, which has resulted in the increased turnover mentioned above.

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 2008**

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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 of 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 Andrew Cannon (Resigned 31 October 2008)  
Mr William Dolphin  
Mr Paul Watt  
Prof Fiona Wood

### Company Secretaries

Mr Andrew Cannon (Resigned 31 October 2008)  
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

13-15 Hills Road  
Cambridge  
CB2 1NL  
United Kingdom

### Share Registry

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands, Western Australia, 6009

### 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 2008**

Your directors submit their report for the half-year ended 31 December 2008.

**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)

Andrew Cannon (Resigned 31 October 2008)

Paul Watt

Fiona Wood

**REVIEW AND RESULTS OF OPERATIONS**

In the 6 month period to 31 December 2008 the net loss increased to \$2,959,276 (2007: \$1,844,596) representing an increase of 60% on the previous corresponding half year. Total revenue for the half year was \$1,655,262 (2007: \$491,202) representing an increase of 237%.

Operating costs increased during the period to \$4,080,186 (2007: \$2,375,053) representing an increase of 71% on the previous corresponding half year. This reflects the increased costs arising from the acquisition of the Visiomed Group.

**DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained the following independence declaration from our auditors, Ernst & Young.



Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843  
Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
www.ey.com/au

**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 2008, 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.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "Gavin Buckingham".

Gavin A Buckingham  
Partner  
Perth

25 February 2009

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink that reads "Dalton Gooding".

**Dalton Gooding**  
**Chairman**  
Dated: 25 February 2009  
Perth, Western Australia

INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	CONSOLIDATED	
		2008 \$	2007 \$
<b>Continuing operations</b>			
Sale of goods		1,133,203	110,829
Other revenue	2	522,059	380,373
<b>Revenue</b>	2	1,655,262	491,202
Cost of sales		(544,352)	(64,007)
<b>Gross Profit</b>		1,110,910	427,195
<b>Operating Costs</b>			
Administrative expenses		(2,709,314)	(1,720,532)
Research and development expenses		(8,111)	(71,654)
Sales and marketing expenses		(1,048,261)	(582,867)
Amortisation of intellectual property		(304,500)	-
<b>Loss from continuing operations before income tax</b>		<b>(2,959,276)</b>	<b>(1,947,858)</b>
Income tax benefit/(expense)		-	103,262
<b>Net loss for the period</b>		<b>(2,959,276)</b>	<b>(1,844,596)</b>
Basic loss per share attributable to ordinary equity holders of the parent		(3.17) cents	(4.33) cents
Diluted loss per share attributable to ordinary equity holders of the parent		(3.17) cents	(4.33) cents

**BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	Note	Consolidated	
		31/12/08	30/06/08
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	5,583,882	8,464,669
Other financial assets		600,000	400,000
Trade and other receivables		723,409	1,130,525
Prepayments		184,201	263,348
Inventories		1,018,238	747,519
<b>Total Current Assets</b>		<b>8,109,730</b>	<b>11,006,061</b>
<b>Non-Current Assets</b>			
Other financial assets		200,000	400,000
Plant & equipment		283,162	388,164
Intangible assets		4,107,388	4,411,888
<b>Total Non-Current Assets</b>		<b>4,590,550</b>	<b>5,200,052</b>
<b>TOTAL ASSETS</b>		<b>12,700,280</b>	<b>16,206,113</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,744,577	2,139,823
Interest bearing liabilities		-	33,334
Provisions		37,078	52,721
<b>Total Current Liabilities</b>		<b>1,781,655</b>	<b>2,225,878</b>
<b>Non-Current Liabilities</b>			
Other term liabilities		198,611	436,380
<b>Total Non-Current Liabilities</b>		<b>198,611</b>	<b>436,380</b>
<b>TOTAL LIABILITIES</b>		<b>1,980,266</b>	<b>2,662,258</b>
<b>NET ASSETS</b>		<b>10,720,014</b>	<b>13,543,855</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	7	86,824,320	86,824,320
Accumulated Losses		(79,231,206)	(76,271,930)
Reserves		3,126,900	2,991,465
<b>TOTAL EQUITY</b>		<b>10,720,014</b>	<b>13,543,855</b>

**CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Consolidated	
	31/12/08	31/12/07
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,313,766	195,593
Payments to suppliers and employees	(4,465,364)	(2,619,994)
Tax refund received	126,862	476,479
Interest and other income received	516,802	380,373
	<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>	<b>(2,507,934)</b>	<b>(1,567,549)</b>
<b>Cash flows from investing activities</b>		
Payments for plant & equipment	(47,235)	(76,113)
Payments for acquisition loan	(308,334)	-
Proceeds from sale of plant & equipment	-	15,123
	<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>	<b>(355,569)</b>	<b>(60,990)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	-
Repayment of borrowings	(17,284)	-
Capital raising expenses	-	-
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>(17,284)</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,880,787)</b>	<b>(1,628,539)</b>
Cash and cash equivalents at beginning of period	8,464,669	12,308,542
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>5,583,882</b>	<b>10,680,003</b>
	<hr/>	<hr/>

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	687,096	796,727
Short-term deposits	4,896,786	9,883,276
	<hr/>	<hr/>
	<b>5,583,882</b>	<b>10,680,003</b>
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STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Consolidated	Contributed Equity \$	Accumulated Losses \$	Other Reserves \$	Total \$
<b>At 1 July 2008</b>	86,824,320	(76,271,930)	2,991,465	13,543,855
Currency translation differences	-	-	100,279	100,279
Total income and expense for the period recognised directly in equity	-	-	100,279	100,279
Loss for the period	-	(2,959,276)	-	(2,959,276)
Total income and expense for the period	-	(2,959,276)	100,279	(2,858,997)
Cost of share-based payment	-	-	35,156	35,156
<b>At 31 December 2008</b>	<b>86,824,320</b>	<b>(79,231,206)</b>	<b>3,126,900</b>	<b>10,720,014</b>

Consolidated	Contributed Equity \$	Accumulated Losses \$	Other Reserves \$	Total \$
<b>At 1 July 2007</b>	74,095,318	(64,083,650)	2,929,097	12,940,765
Currency translation differences	-	-	101	101
Total income and expense for the period recognised directly in equity	-	-	101	101
Loss for the period	-	(1,844,596)	-	(1,844,596)
Total income and expense for the period	-	(1,844,596)	101	(1,844,495)
Cost of share-based payment	-	-	-	-
<b>At 31 December 2007</b>	<b>74,095,318</b>	<b>(65,928,246)</b>	<b>2,929,198</b>	<b>11,096,270</b>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

**Basis of Preparation**

This general purpose condensed financial report for the half year ended 31 December 2008 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 2008 and considered together with any public announcements made by Avita Medical Limited during the half-year ended 31 December 2008 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 2008 The Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2008-10 *Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)*
- Interpretation 12 and AASB 2007-2 *Service Concession Arrangements* and consequential amendments to other Australian Accounting Standards
- Interpretation 129 *Service Concession Arrangements: Disclosures*
- Interpretation 4 (revised) *Determining whether an arrangement contains a lease*
- Interpretation 13 *Customer Loyalty Programmes*.
- Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

The Group has not early adopted any other standards or interpretations.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

2. REVENUE

	CONSOLIDATED	
	2008	2007
	\$	\$
<b>Revenue</b>		
Sale of goods	1,133,203	110,829
Other revenue	522,059	380,373
	<b>1,655,262</b>	<b>491,202</b>
<b>Other revenue</b>		
Bank interest receivable	260,180	380,028
Royalty income	261,879	345
	<b>522,059</b>	<b>380,373</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 2008**

**5. SEGMENT INFORMATION**

The following tables present revenue and profit information regarding geographic segments for the period ended 31 December 2008 and period ended 31 December 2007.

	<i>Continuing Operations</i>			<i>Total</i>
	<i>Asia Pacific</i>	<i>Europe</i>	<i>Americas</i>	
	\$	\$	\$	\$
<b>Half-year ended 31 December 2008</b>				
<b>Revenue</b>				
Sales to external customers	945,861	167,342	-	1,113,203
Royalty income	261,879	-	-	261,879
Total segment Revenue	<u>1,207,740</u>	<u>167,342</u>	-	<u>1,375,082</u>
Non-segment revenues				
Finance revenue				260,180
Total consolidated revenue				<u>1,635,262</u>
<b>Result</b>				
Segment results	33,042	(1,220,554)	(706,891)	(1,894,403)
Non-segment result				(760,373)
Amortisation of intellectual property				(304,500)
Loss before income tax				(2,959,276)
Income tax benefit/(expense)				-
Net loss for the period				<u>(2,959,276)</u>

	<i>Continuing Operations</i>			<i>Total</i>
	<i>Asia Pacific</i>	<i>Europe</i>	<i>Americas</i>	
	\$	\$	\$	\$
<b>Half-year ended 31 December 2007</b>				
<b>Revenue</b>				
Sales to external customers	30,000	80,829	-	110,829
Total segment Revenue	<u>30,000</u>	<u>80,829</u>	-	<u>110,829</u>
Non-segment revenues				
Finance revenue				380,373
Total consolidated revenue				<u>491,202</u>
<b>Result</b>				
Segment results	(395,431)	(1,318,286)	(389,462)	(2,103,179)
Non-segment result				155,321
Amortisation of intellectual property				-
Loss before income tax				(1,947,858)
Income tax benefit/(expense)				103,262
Net loss for the period				<u>(1,844,596)</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31/12/2008	31/12/07
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	86,824,320	74,095,318
<i>Movement in ordinary shares on issue</i>		
At 1 July 2008	93,473,913	86,824,320
Movement in the period	-	-
At 31 December 2008	93,473,913	86,824,320

7. RELATED PARTY DISCLOSURES

The total amount of transactions entered into with key management personnel for the half-year ended 31 December 2008 are as follows:

- (i) During the period royalties of \$7,457 (2007: \$5,448) were paid to the McComb Foundation, which has one director, F Wood, in common with the Company.
- (ii) During the period fees of \$44,204 (2007: \$13,873) were paid under normal terms and conditions to Gooding Pervan, chartered accountants, of which D Gooding is a partner.
- (iii) During the period fees of \$14,090 (2007: Nil) were paid under normal terms and conditions to Ord Nexia, chartered accountants, of which I Macpherson is a partner.

8. EVENTS SUBSEQUENT TO BALANCE DATE

No events have occurred since the Balance Sheet Date which require disclosure in the half-year report.

**DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**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 2008 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 2009  
Perth, Western Australia



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To the members of Avita Medical Limited

#### Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Avita Medical Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cashflow statement for the half-year ended on that date, other selected explanatory notes 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 and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 Interim and Other Financial Reports 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 2008 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 2008, 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.

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*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:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

*Ernst & Young*

Ernst & Young

*Gavin Buckingham*

Gavin A. Buckingham  
Partner  
Perth

25 February 2009

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