AVITA MEDICAL EUROPE LIMITED
(Formely Clinical Cell Culture Europe Limited)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

Company Number 4661707

AVITA MEDICAL EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2008

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FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2008

COMPANY INFORMATION

Directors	Mr W. Dolphin Mr D.L. Gooding
Secretary	Mr S. Hunter (appointed 1 November 2008)
Company Number	4661707
Registered Office	3rd Floor Terrington House 13-15 Hills Road Cambridge CB2 1NL
Auditors	Ernst & Young LLP Compass House 80 Newmarket Road Cambridge CB5 8DZ

AVITA MEDICAL EUROPE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008

The directors present their report and financial statements for the year ended 30 June 2008.

Results and Dividend
The loss for the year amounted to £2,256,185 (2007: £2,150,652). The directors do not recommend the payment of any dividends.

Principal Activity
The principal activity of the company was that of commercialisation of the company's tissue engineering technologies.

Review of Business

The company continued to focus on key markets where ReCell® is already approved for sale.
Turnover decreased from £224,393 to £96,088 following the decision to put the marketing of CellSpray® and CellSpray XP® on hold in March 2007. Sales of ReCell® have increased to £96,088, from £78,461 in the year ended June 2007. The loss for the year of £2,256,185 is an increase on the prior period loss of £2,150,652 partly due to the unfavourable movement in exchange rates during the year.
During the year, the company changed it's name to Avita Medical Europe Limited in line with other companies witin the Avita Medical Limited group of companies.
The company conitues to work towards obtaining approval in those European and African countries where ReCell® is not yet approved.

Principal Risks and Uncertainties
The Board is responsible for overseeing the establishment and implementation of an effective risk management system and reviewing and monitoring the company's application of that system. The principal risks and uncertainties facing the company are the commercialisation challenges of bringing a new technology to market and the liquidity risk associated with the company's reliance on its parent company for funding.

Future Developments

The company continues to focus on achieving sales penetration in key approved markets in line with the company's cash resources. Since the year end, the company has started selling asthma spacers in Europe, which are produced by a member of the Avita Medical group of companies.

Directors
The directors who served the company during the year were as follows:
Mr D L Gooding
Mr A Cannon (resigned 31 October 2008)
Mr W Dolphin (appointed 1 September 2008)
The directors of the company have no interests in Avita Medical Europe Limited.
All of the directors who served in the year are also directors of Avita Medical Limited, and their interests are disclosed in that company's financial statements.

AVITA MEDICAL EUROPE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Research and Development

The Company has carried out no investment in research and development in the current year (2007: £66,992). The Avita Medical group continues to invest in research and development.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By the order of the board

Dr W Dolphin
Director

Date: 23 September 2009

AVITA MEDICAL EUROPE LIMITED
Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVITA MEDICAL EUROPE LIMITED

We have audited the company's financial statements for the year ended 30 June 2008 which the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVITA MEDICAL EUROPE LIMITED (CONT.)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Cambridge

Date 23 September 2009

AVITA MEDICAL EUROPE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Turnover	**2**		**96,088**		**224,393**
Cost of sales			(51,725)		(482,767)
Gross Loss			**44,363**		**(258,374)**
Other operating income		669		255	
Administrative expenses		(2,400,114)		(1,888,293)	
			(2,399,445)		(1,888,038)
Operating Loss	**3**		**(2,355,082)**		**(2,146,412)**
Interest receivable and similar income		3,152		244	
Interest Payable - Other interest - finance charges		(11,308)		(4,484)	
			(8,156)		(4,240)
Loss on ordinary activities before taxation			**(2,363,238)**		**(2,150,652)**
Tax on Loss on ordinary activities	**6**		107,053		-
Loss on ordinary activities after taxation			**(2,256,185)**		**(2,150,652)**

There are no recognised gains or losses other than the loss for the year of £2,256,185 (2007: £2,150,652).

All turnover and operating expenses are generated from continuing operations

AVITA MEDICAL EUROPE LIMITED
BALANCE SHEET
AS AT 30 JUNE 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Fixed Assets					
Tangible assets	7		101,821		101,090
			101,821		101,090
Current Assets					
Stock	8	52,367		97,924	
Debtors	9	976,934		690,716	
Cash at bank and in hand		89,246		143,989	
		1,118,547		932,629	
Creditors: amounts falling due within one year	10	(360,821)		(242,483)	
Net Current Assets			757,726		690,146
Total Assets less current liabilities			859,547		791,236
Creditors: amounts falling due after more than one year	11		(9,550,195)		(7,227,438)
Net Liabilities			**(8,690,648)**		**(6,436,202)**
Capital and Reserves					
Called up share capital	12		1		1
Profit and loss account	13		(8,690,649)		(6,436,203)
Shareholder's Deficit			**(8,690,648)**		**(6,436,202)**

Mr. W. Dolphin
Director

Date: 23 September 2009

1 Accounting Policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

At 30 June 2008 the company's liabilities exceeded its assets by £8,690,648 (2007: £6,436,202). The company has received confirmation from Avita Medical Limited, the ultimate parent company, that support will be provided to the company so that it is able to meet its obligations as and when they fall due for a period of not less than one year from the date of approval of these accounts. Accordingly the accounts have been prepared on a going concern basis.

All other accounting policies listed below have not altered from the prior year.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes consolidated financial statements.

Related parties transactions

The company is a wholly owned subsidiary of Avita Medical Limited, a Holding Company registered and quoted on the Australian Stock Exchange. Accordingly, the company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" from disclosing transactions with members or investees of the Avita Medical group.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvem	-	20% per annum, straight line
Fixtures & fittings	-	20% - 40% per annum, straight line
Computer equipment	-	40% per annum, straight line
Computer software	-	40% per annum, straight line

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances in the period indicate the carrying value may not be recoverable.

Research and development costs

Research and development expenditure is charged to the profit and loss account as incurred.

1 Accounting Policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leased assets

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included as either accruals or prepayments in the balance sheet.

1 Accounting Policies (continued)

Share based payments

Employees of the company are granted share options in the ultimate parent undertaking Avita Medical Limited. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by means of an appropriate pricing model.

No expense is recognised for awards that do not ultimately vest

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expensed in the profit and loss account.

2 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.
An analysis of turnover by geographical market is given below:

	2008	2007
	£	£
United Kingdom	15,467	8,820
Mainland Europe	71,140	206,327
Africa	9,481	9,246
	96,088	224,393

3 Operating Loss

This is stated after charging:	2008	2007
	£	£
Depreciation of owned fixed assets	39,210	71,201
Auditors' remuneration - audit services	28,500	24,000
- non-audit services	16,465	17,725
Net loss on foreign currency translation	1,359,447	365,460
Research and development	-	66,992
Operating lease rentals - land and buildings	107,897	105,441

4 Staff Costs

	2008	2007
	£	£
Wages & Salaries	450,593	592,462
Social Security Costs	10,701	63,597
Other Pension Costs	24,981	49,754
Share Based Payments Expense	1,739	30,367
	488,014	736,180

The average number of employees during the year was made up as follows:

	2008	2007
	No.	No.
Administration & finance	2	3
Sales	2	4
Directors	1	-
Research & development	-	1
Regulatory	1	2
	6	10

5 Directors' Emoluments

	2008	2007
	£	£
Wages & Salaries	124,158	-
Bonus Payment	46,424	
Social Security Costs	16,696	-
Other Pension Costs	11,500	-
Other Benefits	2,446	-
	201,224	-

6 Taxation on loss on ordinary activities

(a) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 29.5% (2007 - 30%).

The differences are reconciled below:	2008 £	2007 £
Loss on ordinary activities before tax	(2,363,238)	(2,150,652)
Loss on ordinary activities multiplied by standard rate	(697,155)	(645,196)
Expenses not deductable for tax purposes	5,949	2,247
Depreciation in excess of capital allowances	2,421	14,716
Other timing differences	-	9,110
Adjustment in respect of previous periods	(107,053)	-
Enhanced R&D deduction	(29,500)	(30,954)
Unrelieved tax losses carried forward	718,285	557,214
Losses surrendered for R&D tax credit	-	92,863
Total current tax	(107,053)	-

The UK standard rate of corporation tax changed from 30% to 28% from 1 April 2008. The average rate for the year was 29.5% (2007: 30%).

During the year the Company surrendered £669,081 of tax losses in return for £107,053 of cash which related to the R&D tax credit for 2005 and 2006 (2007: £nil)

(b) Deferred tax

A net deferred tax asset of £2,279k (2007: £1,606k) has not been recognised in respect of the tax losses as there is insufficient evidence that the asset would be recoverable.

The deferred taxation asset is made up of the following:	2008 £	2007 £
Other timing differences	-	12,715
Tax losses	2,279,819	1,597,050
Accelerated Capital Allowances	(583)	(3,776)
	2,279,236	1,605,989

The unrecognised deferred tax asset would be recoverable to the extent that the company generates sufficient taxable profits in the future.

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

7 Tangible Fixed Assets

	Computer Equipment	Computer Software	Leasehold Improve-ments	Fixtures & Fittings	Total Assets
	£	£	£	£	£
Cost					
At 1 July 2007	30,362	13,076	165,526	45,904	254,868
Additions	-	-	46,492	-	46,492
Transfer from group	-	-	-	-	-
Disposals	(1,459)	(954)	-	(16,021)	(18,434)
At 30 June 2008	**28,903**	**12,122**	**212,018**	**29,883**	**282,926**
Depreciation					
At 1 July 2007	25,196	11,414	92,004	25,164	153,778
Charge for the period	4,540	1,588	24,524	8,558	39,210
On disposals	(1,459)	(954)	-	(9,470)	(11,883)
At 30 June 2008	**28,277**	**12,048**	**116,528**	**24,252**	**181,105**
Net book values					
At 30 June 2008	**626**	**74**	**95,490**	**5,631**	**101,821**
At 30 June 2007	5,166	1,662	73,522	20,740	101,090

8 Stocks

	2008	2007
	£	£
Raw materials	13,425	31,518
Finished goods	38,942	66,406
	52,367	**97,924**

9 Debtors

	2008	2007
	£	£
Trade debtors	35,919	3,136
Other debtors	96,550	21,519
Prepayments and accrued income	82,041	118,203
Amounts due from other group companies	749,033	520,163
VAT and other tax refunds due	13,391	27,695
	976,934	**690,716**

10 Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	138,779	114,362
Other creditors	3,558	13,559
Accruals and deferred income	201,359	99,644
Social Security and other taxes	17,125	14,918
	360,821	**242,483**

11 Creditors: amounts falling due after more than one year

	2008	2007
	£	£
Amounts owed to group undertakings	9,550,195	7,227,438

12 Share capital

	2008	2007
Authorised	£	£
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 Ordinary share of £1 each	1	1

13 Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 1 July 2007	1	(6,436,203)	(6,436,202)
Loss for the year	-	(2,256,185)	(2,256,185)
Share based payments expense	-	1,739	1,739
At 30 June 2008	1	(8,690,649)	(8,690,648)

14 Share based payments

Employees are granted share options in the ultimate parent company, Avita Medical Limited. These options vest in three tranches and the contractual life of each option granted is three years. The expense recognised in the profit and loss account is disclosed in note 4.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options in the year. The WAEP is quoted in Australian $ as that is the functional and presentation currency of the Avita Medical Limited.

14 Share based payments (continued)

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding as at 1 July	2,900,000	0.35	1,000,000	0.45
Lapsed during the year	(1,350,000)	0.36	-	-
One for ten consolidation	(1,395,000)	-	-	-
Granted during the year	-	-	1,900,000	0.31
Outstanding as 30 June	155,000	0.35	2,900,000	0.35
Exercisable as 30 June	155,000	0.35	2,500,000	0.35

The weighted average fair value of options granted during the year was $Nil (2007: $0.13).

The range of exercise prices for options outstanding at the year end was $0.13 - $0.41 (2007: $0.13 - $0.41)

The fair value of share options is calculated using the Black-Scholes option pricing model. The weighted average assumptions used to estimate the fair value of the stock options were as follows:

	2008	2007
Dividend yield (%)	-	-
Expected volatility (%)	-	85
Risk-free interest rate (%)	-	6.20 to 6.21
Expected life of option	-	To maturity
Option exercise price ($)	-	13 to 41c

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

15 Pensions

The company participates in a group personal pension scheme which is defined contribution in nature. The pension charge for the year was £24,981 (2007: £49,754). At the year end there were no outstanding contributions (2007: £nil).

16 Operating lease commitments

At the end of the period the company had annual commitments under non-

	Land and buildings 2008 £	Land and buildings 2007 £
Operating leases which expire:		
Within two to five years	107,249	107,897

17 Ultimate parent company and Controlling Party

The immediate and ultimate parent company and controlling party is Avita Medical Limited, which is registered and quoted on the Australian Stock Exchange. Copies of group financial statements are available from its registered office: Level 9 The Quadrant, 1 William Street, Perth, WA 6000, Australia.