AVITA MEDICAL EUROPE LIMITED

Company Number 4661707

REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2016

Avita Medical Europe Limited
Financial Statements
Year Ended 30 June 2016

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Year Ended 30 June 2016

Company Information

Directors
Mr Adam Kelliher
Mr Timothy Rooney

Company Secretary
Mr Justin McCann

Company Number
4661707

Registered Office
1st Floor, 87 Ridgway
Wimbledon
London SW19 4ST

Auditor
Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
101 Cambridge Science Park
Milton Road
Cambridge CB4 0FY

AVITA MEDICAL EUROPE LIMITED
DIRECTORS' REPORT

The Directors present their report with respect to the results of Avita Medical Europe Limited (the "Company") for the year ended 30 June 2016.

Results and Dividend

The loss for the year amounted to £1,853,398 (2015: £1,227,799). The directors cannot recommend the payment of any dividends.

Principle Activity

The principal activity of the company was that of commercialisation of the company's tissue engineering technologies and provision of research services to the group.

Review of Business

The company continued to focus on key markets in Europe, Middle East and Africa where ReCell is approved for sale.

Sales of ReCell have fallen 12.7% to £278,770 in the year ended June 2016 (2015: £319,612) and Cost of Sales rose 42% to £93,765 (2015: £66,094) as direct sales gave way to a new distributorships in the UK, Germany and France on lower margins. Admin expenses increased 36% to £1,246,884 (2015: £915,419) and Sales & Marketing expenses increased 7% to £1,090,345 (2015: £1,019,529). The loss after taxation for the year was £1,853,398 (2015: £1,227,799) an increase of £625,599 (51%) on the prior year.

Principle 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 markets in line with the company's cash resources.

Directors

The directors who served the company during the year were as follows:

Mr Adam Kelliher (appointed 7 January 2016)

Mr Timothy Rooney

Mr Ian Macpherson (resigned 7 January 2016)

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 2006. Such qualifying third party indemnity provision remains in force as the date of approving the directors' report.

Provision of information to auditor

Each of the persons, who are directors at the same time when the Directors' report is approved, has confirmed that:

- So far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- That director has taken all the steps that ought to have been taken, as a director, in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditors

A resolution to appoint Grant Thornton UK LLP as auditors will be put to the members at the Annual general Meeting.

In preparing this report the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006.

By the order of the board

Mr Timothy Rooney
Director

Date: 29 March 2017

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

The directors are responsible for preparing the Directors' 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 Accounting Standards (United Kingdom generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 (Company No: 4661707)

We have audited the company's financial statements of Avita Medical Europe Limited for the year ended 30 June 2016, which comprise the statement of comprehensive income, the balance sheet, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVITA MEDICAL EUROPE LIMITED (Company No: 4661707)

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2a to the financial statements concerning the company's ability to continue as a going concern.

The company incurred a net loss of £1,853,389 during the year ended 30 June 2016. The company is dependent on its parent company, Avita Medical Limited, for future cashflow requirements.

As explained in note 2a, the ability of the parent company to provide this support is dependent on the Group's financial position and it's ability to raise sufficient funds to meet liabilities as they arise. This condition, as explained in note 2a to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the Directors' Report.

Grant Thornton UK LLP

Paul Brown
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge, United Kingdom

Date: 30 March 2017

AVITA MEDICAL EUROPE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	2015 £
Turnover	4	**278,770**	319,612
Cost of sales		**(93,765)**	(66,094)
Gross profit		**185,005**	253,518
Other operating income	5	**298,589**	305,734
Administrative, sales & marketing expenses	6	**(2,337,229)**	(1,787,706)
Operating loss	5	**(1,853,635)**	(1,228,454)
Interest receivable and similar income		**245**	662
Interest payable and similar charges		**(8)**	(7)
Loss on ordinary activities before taxation		**(1,853,398)**	(1,227,799)
Tax on loss on ordinary activities	8	**-**	-
Loss on ordinary activities after taxation		**(1,853,398)**	(1,227,799)
Other Comprehensive Income		**-**	-
Total Comprehensive Income for the year - due to the parent		**(1,853,398)**	(1,227,799)

All turnover and operating expenses are generated from continuing operations.

The accompanying accounting policies and notes form part of these financial statements.

AVITA MEDICAL LIMITED
BALANCE SHEET
AS AT 30 JUNE 2016

	Notes	2016 £	2015 £
Fixed Assets			
Intangible assets	9	**1,011**	1,096
Tangible assets	10	**13,273**	36,683
Total Non-Current Assets		**14,284**	37,789
Current Assets			
Cash at bank and in hand	11	**689,096**	50,040
Debtors	12	**184,300**	169,890
Stock	10	**28,009**	17,934
Total Current Assets		**901,404**	237,864
Creditors: Amounts falling due within one year	13	**(345,810)**	(174,468)
Net current assets		**555,595**	63,396
Total assets less current liabilities		**569,880**	101,184
Creditors: Amounts falling due after more than one year	14	**(2,514,926)**	(192,832)
Net Liabilities		**(1,945,046)**	(91,648)
Capital and Reserves			
Called up share capital	16	**1,227**	1,227
Share premium		**19,714,812**	19,714,812
Profit and loss account		**(21,661,085)**	(19,807,687)
Shareholder's deficit		**(1,945,046)**	(91,418)

The accompanying accounting policies and notes form part of these financial statements.
The financial statements were approved by the directors and are signed on their behalf by:

Mr Timothy Rooney
Director

Date: 29 March 2017

Company Number:4661707

AVITA MEDICAL EUROPE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 July 2015	**1,227**	**19,714,812**	**(19,807,687)**	**(91,648)**
Loss for the period	-	-	(1,853,398)	(1,853,398)
Total comprehensive (loss) for the year	**-**	**-**	**(1,853,398)**	**(1,853,398)**
At 30 June 2016	**1,227**	**19,714,812**	**(21,661,085)**	**(1,945,046)**

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 July 2014	**1,171**	**18,814,812**	**(18,579,888)**	**235,582**
Loss for the period	-	-	(1,227,799)	(1,,227,799)
Capitalised intercompany loan	56	900,513	-	900,569
Total comprehensive (loss) for the year	**56**	**900,513**	**(1,227,799)**	**(327,230)**
At 30 June 2015	**1,227**	**19,714,812**	**(19,807,687)**	**(91,648)**

1. Corporate Information

The company is a company limited by shares incorporated in England and Wales and its Principal Place of Business and Registered Office is 1st Floor, 87 Ridgway, Wimbledon, London SW19 4ST.

2. Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards including Financial Standard 102 – "The Financial reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), and with the Companies Act 2006. The financial statements have been prepared at the historic cost basis.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to Note 21 for an explanation of this transition.

The financial statements are presented in Sterling (£).

(b) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of shipment of the goods to the customer.

Interest income
Revenue is recognised as interest accrues using the effective interest method.

(c) Cash flow statement

In accordance with FRS 102, the company has taken advantage of the exemption under section 7 "Statement of Cash Flow" not to present a statement of cash flow and related notes and disclosures.

In accordance with the exemption the financial statements of the company are consolidated in the financial statements of its ultimate parent company copies of which are published and available to the public.

(d) 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 FRS 102 from disclosing transactions with members of the Avita Medical group.

(e) Leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(f) Debtors

Trade receivables, which generally have 30-90 day terms, are recognised initially at transaction price, less an allowance for impairment.

2. Accounting Policies (continued)

(g) Stocks

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for at purchase cost on a first-in, first-out basis. Assembly costs as invoiced by a third party are factored into the cost of finished goods.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

h) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including any bank loans, are measured initially at fair value, net of transaction costs.

(i) Foreign currencies

Transactions in foreign currencies are recorded in the functional currency by applying the exchange rates 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.

(j) Tangible Fixed Assets

All fixed assets stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Leasehold improvements – straight line basis over the duration of the lease
Fixtures & fittings – 20% to 40% per annum, straight line
Computer equipment – 40% per annum, straight line

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(k) Intangible Fixed Assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, as follows:

Computer software – 40% per annum, straight line

2. Accounting Policies (continued)

(l) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(m) 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.

(n) Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2. Accounting Policies (continued)

(n) Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(o) Share-based payment transactions

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 expense in the profit and loss account.

(p) Research and development costs

Expenditure during the research phase of a project is charged to the profit and loss account as incurred.

2. Accounting Policies (continued)

(q) Going concern

These financial statements have been prepared on the basis of going concern, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As at 30 June 2016 the company has net liabilities of £1,945,046 and made a loss of £1,853,398.

For future cash flow requirements the company remains dependent upon the parent company Avita Medical Limited. The company has received confirmation from our 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. The ability of Avita Medical Limited to provide this on-going support depends on the group successfully completing a further funding round.

On 11 July 2016 the parent completed a placement of 100,164,831 fully paid ordinary shares at a price of A$0.09 raising A$9,014,835, of which $480,962 has been recognised as capital raising expenses. The Avita Medical group (Group) also benefits from monthly cash inflows from the BARDA (Biomedical Advanced Research and Development Authority) contract that was awarded to the Company on 29 September 2015 (FY16 BARDA cash received was $2,424,357 beginning in Q3). These monthly payments from BARDA offset the costs from various activities towards the FDA regulatory approval process in the US. Another anticipated source of income/funding for the Group is the potential triggering of the BARDA contract line item covering the initial purchase, storage, and delivery of ReCell devices in the amount of US$7,594,620 (~A$10m).

The Group is a development stage biotechnology company and as such expects to be utilizing cash reserves until its research activities are globally commercialized. The Group has historically funded its research activities through raising capital by issuing securities in the parent, it is expected that similar funding will be obtained to provide working capital as and when required. If the parent is unable to raise capital in the future, the Group may need to curtail expenditure by scaling back certain research and development programs.

As a result of the above, the directors are satisfied that there is sufficient working capital to support the committed research and commercialisation activities over the coming 12 months and the Group has the ability to realize its assets and pay its liabilities and commitments in the normal course of business. Accordingly, the directors have prepared the financial report on a going concern basis.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The main area of judgement is in relation to the going concern assumption.

4. 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.

	2016 £	2015 £
United Kingdom	**127,646**	146,070
Mainland Europe	**127,924**	126,366
Middle East	**23,200**	47,176
	278,770	319,612

5. Operating loss

This is stated after charging / (crediting):

	2016 £	2015 £
Amortisation & depreciation of owned fixed assets	**27,150**	18,220
Auditor's remuneration – audit services	**14,600**	13,900
Auditor's remuneration – non-audit services	**3,000**	2,900
Net loss on foreign currency translation	**285,659**	(138,249)
Operating lease rentals – land and buildings	**52,559**	36,504

During the year the company received £298,589 (2015: 305,589) for the provision of research and development services for the group.

6. Administrative, sales & marketing expenses

	2016 £	2015 £
Administrative	**1,246,884**	915,419
Sales & marketing	**1,090,345**	1,019,529
	2,337,229	1,934,948

7. Staff costs

	2016 £	2015 £
Wages and salaries	**646,061**	685,215
Social security costs	**84,574**	89,687
Other pension costs	**60,501**	57,321
	791,135	832,223

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

	2016 No.	2015 No.
Administration & finance	**4**	5
Sales	**6**	6
	10	11

No directors are remunerated through Avita Medical Europe Limited. Personnel compensation in relation to key management for the year amounted to £251,715 (2015: £203,698).

8. Taxation on loss on ordinary activities

The tax (credit) / charge is based on the results for the year and represents:

	2016 £	2015 £
UK Corporation Tax	-	-
Adjustment in respect of prior periods	-	-
Tax on loss on ordinary activities	-	-

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.75%). The differences are explained as follows:

	2016	2015
Loss on ordinary activities before tax	**(1,853,398)**	(1,227,799)

	2016 £	2015 £
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK at 20% (2015: 20.75%)	**(370,680)**	(254,768)
Expenses not deductable for tax purposes	**9,415**	53,553
Losses carried forward	**361,265**	201,215
Tax on loss on ordinary activities	-	-

A net deferred tax asset of £3,640k (2015: £3,736k) has not been recognised in respect of tax losses as there is insufficient evidence that the asset would be recoverable. The unrecognised deferred tax asset would be recoverable to the extent that the company generates sufficient taxable profits in the future.

9. Intangible fixed assets

	Computer software £	*Total* £
Cost		
At 1 July 2015	44,882	44,882
Additions	934	934
Disposals	(28,947)	(28,947)
At 30 June 2016	**16,869**	**16,869**
Depreciation		
At 1 July 2015	43,786	43,786
Charge for the year	1,019	1,019
On disposals	(28,947)	(28,947)
At 30 June 2016	**15,858**	**15,858**
Net book values		
At 30 June 2016	**1,011**	**1,011**
At 30 June 2015	1,096	1,096

10. Tangible fixed assets

	Computer equipment	**Leasehold improvements**	**Fixtures & fittings**	**Total assets**
Cost	**£**	**£**	**£**	**£**
At 1 July 2015	51,157	20,283	30,984	102,424
Additions	2,957	-	-	(2,957)
Disposals	(19,363)	(20,283)	(7,042)	(46,688)
At 30 June 2016	**34,751**	**-**	**23,942**	**58,693**
Depreciation				
At 1 July 2015	43,755	6,627	15,350	65,732
Charge for the year	5,061	13,656	7,414	26,131
On disposals	(19,281)	(20,283)	(6,879)	(46,443)
At 30 June 2016	**29,535**	**-**	**15,885**	**45,420**
Net book values				
At 30 June 2016	**5,216**	**-**	**8,057**	**13,273**
At 30 June 2015	7,402	13,656	15,634	36,692

11. Stocks

	2016 £	2015 £
Raw materials	**-**	164
Finished goods at cost	**28,009**	17,770
	28,009	17,934

Stock recognised in cost of sales during the year as an expense was £87,770 (2015: £58,578). An impairment loss of £982 (2015: £nil) was recognised against stock.

12. Debtors

	2016	2015
	£	£
Trade debtors	**80,778**	87,288
Other debtors	**28,970**	9,695
Prepayments and accrued income	**47,196**	51,236
Amounts due from other group companies	**-**	-
VAT and other tax refunds due	**27,356**	21,671
	184,300	169,890

An impairment loss of £nil (2015: £nil) has been recognised against trade debtors

13. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	**120,974**	74,992
Other creditors	**22,292**	21,957
Accruals and deferred income	**152,143**	42,278
Social security and other taxes	**40,091**	25,066
Pension creditor	**10,310**	10,175
	345,810	174,468

14. Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Amounts owed to group undertakings	**2,514,926**	192,832

The company was financed by group borrowings with no fixed repayment terms of interest obligations. During the year to 30 June 2016 £nil (2015: £56) of this debt was converted to ordinary share capital. The borrowings were denominated primarily in AU$ and gains and losses arising on translation were charged to operating expenses.

15. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised costs	**798,844**	147,023

	2016 £	2015 £
Financial liabilities		
Financial liabilities measured at amortised costs	**(2,810,335)**	(332,059)

Financial assets measured at amortised costs comprise of cash, trade debtors, other debtors and amounts due from other group undertakings.

Financial liabilities measured at amortised costs comprise of trade creditors, other creditors, accruals and amounts due to other group undertakings.

16. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
1,227 (2015: 1,277) Ordinary shares of £1 each	**1,227**	1,227

17. Reserves

Share capital - represents the nominal value of shares that have been issued.

Share Premium – includes any premiums received on issue of share capital. Any transactional costs associated with the issue of shares are deducted from share premium.

Profit and loss – includes all current and prior period retained profit and losses.

18. 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 following table illustrates the number (No) and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	2016 No	*2016 WAEP*
Outstanding at the beginning of the year	600,000	0.16
Lapsed during the year	-	-
Granted during the year	-	-
Outstanding at the end of the year	**600,000**	**0.16**

The share based payment charge in the year was £nil (2015: £nil).

19. Operating lease commitments

At the end of the period the company had annual commitments under non-cancellable operating leases as set out below:

	2016 £	2015 £
Within one year	**26,784**	56,772
Within 1 to 2 years	**23,000**	26,784
2 – 5 years	**41,000**	64,000
	90,784	147,556

The operating lease commitments are comprised of rent payable at the Melbourn office for a period ending on 20 August 2016 and at the London office ending on 16 March 2020.

20. 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.

21. Transition to FRS 102

The company has adopted FRS 102 for the year ended 30 June 2016 and has restated the comparative prior year amounts with no adjustments identified.

The only restatement necessary relates to the reclassification of computer software from tangible to intangible fixed assets. The net book value of this software at the transition date was £1,929 and £1,096 at 30 June 2015. There is no impact on any other previously reported amounts.