

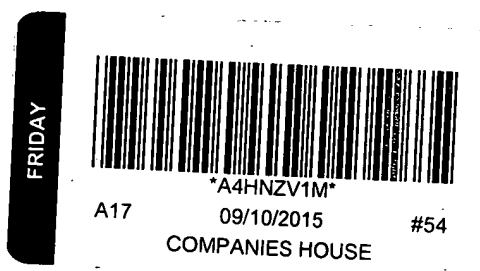
AVITA MEDICAL EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Company Number

4661707



**AVITA MEDICAL EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2015**

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**AVITA MEDICAL EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2015**

COMPANY INFORMATION

Directors	Mr I MacPherson Mr T Rooney
Secretary	Mr J McCann
Company Number	4661707
Registered Office	Unit B1, Beech House Melbourn Science Park Melbourn Royston Hertfordshire, SG8 6HB
Auditors	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY

**AVITA MEDICAL EUROPE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

The directors present their report and financial statements for the year ended 30 June 2015.

Results and Dividend

The loss for the year amounted to £1,227,799 (2014: £1,274,421). The directors can 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 and provision of research services to the group.

Review of Business

The company continued to focus on key markets where ReCell® is already approved for sale.

Sales of ReCell® have risen to £319,612 in the year ended June 2015 (2014: £270,024). The loss after taxation for the year of £1,227,799 is an improvement on the prior year loss by £46,622 due to the intercompany billing to the parent for R & D services in the year. In addition, during the year the parent company, Avita Medical Limited, exchanged £900,569 (2014: £964,896) of debt for 56 (2013: 60) Ordinary shares.

The company continues to work towards obtaining approval in those European, Middle Eastern & 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.

Directors

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

Mr I MacPherson

Mr T Rooney

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 2015**

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 at the date of approving the directors' report.

Provision of information to auditor

Each of the persons who are directors at the same time when this 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 T Rooney
Director**

Date: 28/9/2015

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 2015 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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).

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 4, 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 2015 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 (CONT.) (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 1 to the financial statements concerning the company's ability to continue as a going concern.

The company incurred a net loss of £1,227,799 during the year ended 30 June 2015. The company is dependent on its parent company, Avita Medical Limited, for future cashflow requirements.

As explained in note 1, the ability of the parent company to provide this support is dependent on the Group's financial position. This condition, as explained in note 1 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.



Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge, United Kingdom

Date: 6 October 2015

AVITA MEDICAL EUROPE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015

		2015		2014	
	Notes	£	£	£	£
Turnover	2		319,612		270,024
Cost of sales			(66,094)		(45,398)
Gross profit			253,518		224,626
Administrative expenses		(1,787,706)	(1,787,706)	(1,521,268)	(1,521,268)
Other operating income	3		305,734		20,880
Operating (loss)/profit	3		(1,228,454)		(1,275,762)
Interest receivable and similar income		662		1,349	
Interest payable and similar charges		(7)		(8)	
			655		1,341
(Loss)/profit on ordinary activities before taxation			(1,227,799)		(1,274,421)
Tax on (loss)/profit on ordinary activities	5		-		-
(Loss)/Profit on ordinary activities after taxation			(1,227,799)		(1,274,421)

There are no recognised gains or losses other than the losses for the year of £1,227,799 (2014:£1,274,421).
All turnover and operating expenses are generated from continuing operations.

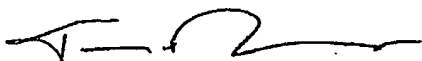
The accompanying accounting policies and notes form part of these financial statements.

AVITA MEDICAL EUROPE LIMITED
BALANCE SHEET
AS AT 30 JUNE 2015

		2015		2014	
	Notes	£	£	£	£
Fixed Assets					
Tangible assets	6		<u>37,789</u>		<u>43,037</u>
			37,789		43,037
Current Assets					
Stock	7	17,934		9,650	
Debtors	8	169,890		336,786	
Cash at bank and in hand		<u>50,040</u>		<u>202,801</u>	
		237,864		549,237	
Creditors: amounts falling due within one year	9	<u>(174,468)</u>		<u>(181,693)</u>	
Net Current Assets			63,396		367,544
Total Assets less current liabilities			<u>101,184</u>		<u>410,581</u>
Creditors: amounts falling due after more than one year	10		(192,832)		(174,999)
Net assets/(liabilities)			<u><u>(91,648)</u></u>		<u><u>235,582</u></u>
Capital and Reserves					
Called up share capital	11		1,227		1,171
Share premium	12		19,714,812		18,814,299
Profit and loss account	12		(19,807,687)		(18,579,888)
Shareholder's funds/(deficit)			<u><u>(91,648)</u></u>		<u><u>235,582</u></u>

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 T Rooney
Director

Date: 28/9/15

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 2015 the company had net liabilities of £91,648 and made a loss of £1,227,799. For future cashflow requirements the company remains dependent upon our 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 long term support depends upon the group successfully completing a further funding round. The group monitors the cash flow requirements on a regular basis to ensure that funding is secured in accordance with the group's business strategy.

Accordingly the accounts have been prepared on a going concern basis.
All 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 of the Avita Medical group.

Turnover

Turnover comprises the value of sales (excluding VAT) of goods. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

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 improvements	-	Straight line basis over duration of lease
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.

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1 Accounting Policies (continued)

Research and development costs

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

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 and finished goods

- purchase cost on a first-in, first-out basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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.

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1 Accounting Policies (continued)

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.

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 expense in the profit and loss account.

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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:

	2015	2014
	£	£
United Kingdom	146,070	125,152
Mainland Europe	126,366	117,315
Middle East	47,176	27,557
	<u>319,612</u>	<u>270,024</u>

3 Operating loss

This is stated after charging/(crediting):

	2015	2014
	£	£
Depreciation of owned fixed assets	18,220	15,057
Auditors' remuneration - audit services	13,900	13,500
- non-audit services	2,900	2,850
Net loss on foreign currency translation	(138,249)	9,171
Operating lease rentals - land and buildings	<u>36,504</u>	<u>22,549</u>

During the year the company received £305,589 (2014: nil) for the provision of research and development services for the group.

4 Staff costs

	2015	2014
	£	£
Wages & Salaries	685,215	713,028
Social Security Costs	89,687	90,930
Other Pension Costs	57,321	58,155
	<u>832,223</u>	<u>862,113</u>

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

	2014	2013
	No.	No.
Administration & finance	5	4
Sales	6	7
	<u>11</u>	<u>11</u>

No directors are remunerated through Avita Medical Europe Limited.

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

5 Taxation on profit/(loss) on ordinary activities	2015	2014
<u>(a) Analysis of charge in the year</u>	£	£
Current tax	-	-
Adjustment in respect of prior periods	-	-
Tax on loss on ordinary activities	-	-

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower (2014 -lower) than the standard rate of corporation tax in the UK of 20.75% (2014 - 22.5%).

The differences are reconciled below:

	2015	2014
	£	£
Profit/(loss) on ordinary activities before tax	<u>(1,227,799)</u>	<u>(1,274,421)</u>
Profit/(loss) on ordinary activities multiplied by standard rate	<u>(254,768)</u>	<u>(286,762)</u>
Expenses not deductible for tax purposes	51,660	10,320
Adjustments to tax charge in respect of previous periods	-	-
Capital allowances in excess of depreciation	121	(3,833)
Other short term timing differences	1,772	(2,292)
Unrelieved tax losses carried forward	<u>201,215</u>	<u>282,567</u>
Total current tax	<u>-</u>	<u>-</u>

(c) Deferred tax

A net deferred tax asset of £3,736k (2014: £3,539k) has not been recognised in respect of the 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.

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

6 Tangible Fixed Assets

	Computer Equipment £	Computer Software £	Leasehold Improve- ments £	Fixtures & Fittings £	Total Assets £
Cost					
At 1 July 2014	47,578	44,474	16,951	25,527	134,530
Additions	4,018	408	3,332	5,457	13,216
Disposals	(439)	-	-	-	(439)
At 30 June 2015	51,157	44,882	20,283	30,984	147,306
Depreciation					
At 1 July 2014	38,335	41,199	3,220	8,739	91,493
Charge for the period	5,615	2,587	3,407	6,611	18,220
On disposals	(195)	-	-	-	(195)
At 30 June 2015	43,755	43,786	6,627	15,350	109,518
Net book values					
At 30 June 2015	7,402	1,096	13,656	15,634	37,789
At 30 June 2014	9,243	3,275	13,731	16,788	43,037

7 Stocks

	2015 £	2014 £
Raw materials	164	205
Finished goods	17,770	9,445
	17,934	9,650

8 Debtors

	2015 £	2014 £
Trade debtors	87,288	41,775
Other debtors	9,695	9,136
Prepayments and accrued income	51,236	38,429
Amounts due from other group companies	-	230,295
VAT and other tax refunds due	21,671	17,151
	169,890	336,786

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

9 Creditors: amounts falling due within one year

	2015	2014
	£	£
Trade creditors	74,992	45,538
Other creditors	21,957	19,336
Accruals and deferred income	42,278	78,025
Social security and other taxes	25,066	28,324
Pension creditor	10,175	10,470
	<u>174,468</u>	<u>181,693</u>

10 Creditors: amounts falling due after more than one year

	2015	2014
	£	£
Amounts owed to group undertakings	<u>192,832</u>	<u>174,999</u>

The Company was financed by group borrowings with no fixed repayment terms or interest obligations. During the year to 30 June 2015 £900,569 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.

11 Share capital

	2015	2014
	£	£
Authorised		
10,000 Ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid		
1,227 (2014: 1,171) Ordinary shares of £1 each	<u>1,227</u>	<u>1,171</u>

During the year the parent company, Avita Medical Limited, capitalised £906,569 (2014: £964,896) of debt for 56 (2014: 60) Ordinary shares of £1 each. A premium of £16,081 was recognised on each share.

12 Reconciliation of shareholders' funds and movement on reserves

	Share premium	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£	£
At 1 July 2014	18,814,299	1,171	(18,579,888)	235,582
Profit for the year	-	-	(1,227,799)	(1,227,799)
Capitalisation of intercompany loan	900,513	56	-	900,569
Share based payments	-	-	-	-
At 30 June 2015	<u>19,714,812</u>	<u>1,227</u>	<u>(19,807,687)</u>	<u>(91,648)</u>

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13 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 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 Avita Medical Limited.

	2015 No.	2015 WAEP
Outstanding as at 1 July	1,700,000	\$0.155294
Lapsed during year	1,100,000	\$0.152727
Granted during the year		
Outstanding as at 30 June	<u>600,000</u>	<u>\$0.16</u>
Exercisable as 30 June 2015	600,000	\$0.16

The share based payment charge in the year was £nil (2014: £22,371).

14 Pensions

The company participates in a group personal pension scheme which is defined contribution in nature. The pension charge for the year was £57,321 (2014: £58,155). At the year end there were contributions outstanding of £10,470 (2014: £12,820).

AVITA MEDICAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

15 Operating lease commitments

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

	Land and buildings	
	2015	2014
	£	£
Operating leases which expire:		
Within one year	-	-
Within one to two years	<u>69,072</u>	<u>34,272</u>

The operating lease commitments are comprised of rent payable at the Melbourne office for a 5 year lease ending on 20 August 2018 and at the London office ending on 31 March 2020.

16 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.