AVITA MEDICAL EUROPE LIMITED

Company Number 4661707

REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2018

Contents

Company Information

Directors
Dr Michael Perry
Mr Timothy Rooney

Company Number
4661707

Registered Office
Wellington House
East Road
Cambridge CB1 1BH

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

The Directors present their report with respect to the results of Avita Medical Europe Limited (the "Company") for the year ended 30 June 2018.

Results and Dividend

The net loss after tax for the year amounted to £952,770 (2017: £1,836,000). 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 is a wholly owned subsidiary of Avita Medical Limited, a Holding Company registered and quoted on the Australian Stock Exchange. Avita Medical Limited ("Avita" or "the parent company") is a regenerative medicine company with a technology platform designed to address unmet medical needs in patients with burns, chronic wounds, and aesthetics indications. Avita's patented and proprietary collection and application technology provides innovative treatment solutions derived from a patient's own skin. The Company's lead product, ReCell® System, is used in the treatment of a wide variety of burns, plastic, reconstructive and cosmetic procedures. The ReCell System is patented, and during the year was CE-marked for Europe, TGA-registered in Australia, CFDA-cleared in China. The product was FDA approved in the United States subsequent to year end in September 2018. The Company continued to focus on limited commercial efforts in Europe, Middle East and Africa where the ReCell System is approved for sale.

Sales of the ReCell System have risen 6% to £281,293 in the year ended June 2018 (2017: £266,469) and Cost of Sales fell 16% to £113,083 (2017: £134,085) as the Company conducted only limited commercial efforts and primarily focused on filling orders from existing customers. Administrative expenses decreased 74% to £244,117 (2017: £948,961) and Sales and Marketing expenses decreased 23% to £951,664 (2017: £1,228,170). The loss after taxation for the year was £952,770 (2017: £1,836,000) decrease of £883,229 (48%) from 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:

Dr Michael Perry (appointed 24 July 2017)

Mr Timothy Rooney

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.

Auditors

A resolution to reappoint 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 company's exemption provided by section 415A of the Companies Act 2006.

By the order of the board

Mr Timothy Rooney
Director

Date: 19 March 2019

AVITA MEDICAL EUROPE LIMITED
Directors' responsibilities statement

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, including FRS 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Mr Timothy Rooney
Chief Administrative Officer

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

Opinion

We have audited the financial statements of Avita Medical Europe Limited (the 'company') for the year ended 30 June 2018 which comprise the statement of comprehensive income, the balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 (p) in the financial statements, which indicates that the company incurred a net loss of £952,770 during the year ended 30 June 2018 and, as of that date, the company's total liabilities exceeded its total assets by £4,733,816. As stated in note 2 (p), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Grant Thornton UK LLP

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

Date: 25 March 2019

AVITA MEDICAL EUROPE LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 £	2017 £
Turnover	4	**281,293**	266,469
Cost of sales		**(113,083)**	(134,085)
Gross profit		**168,210**	132,384
Other operating income	5	**74,550**	208,037
Administrative, sales and marketing expenses	6	**(1,195,781)**	(2,177,131)
Operating loss	5	**(953,021)**	(1,836,710)
Interest income and similar income		**251**	710
Loss on ordinary activities before taxation		**(952,770)**	(1,836,000)
Tax on loss on ordinary activities	8	**-**	-
Loss on ordinary activities after taxation		**(952,770)**	(1,836,000)
Loss for the period attributable to owners of the parent		**(952,770)**	(1,836,000)
Total Comprehensive Loss for the year - due to the parent		**(952,770)**	(1,836,000)

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

AVITA MEDICAL EUROPE LIMITED
BALANCE SHEETS
AS AT 30 JUNE 2018

	Notes	2018 £	2017 £
Non-current assets			
Tangible fixed assets	9	**10,224**	12,046
Total non-current assets		**10,224**	12,046
Current assets			
Stocks	10	**49,182**	41,282
Debtors	11	**68,705**	147,767
Cash at bank and in hand		**207,648**	512,903
Total current assets		**325,535**	701,952
Creditors: Amounts falling due within one year	12	**(103,374)**	(281,061)
Net current assets		**222,161**	420,891
Total assets less current liabilities		**232,385**	432,937
Creditors: Amounts falling due after more than one year	13	**(4,966,201)**	(4,213,983)
Net Liabilities		**(4,733,816)**	(3,781,046)
Capital and Reserves			
Called up share capital	15	**1,227**	1,227
Share premium		**19,714,812**	19,714,812
Profit and loss account		**(24,449,855)**	(23,497,085)
Shareholders' deficit		**(4,733,816)**	(3,781,046)

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: 19 March 2019

Company Number:4661707

AVITA MEDICAL EUROPE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 July 2017	**1,227**	**19,714,812**	**(23,497,085)**	**(3,781,046)**
Loss for the period	-	-	(952,770)	(952,770)
Total comprehensive loss for the year	**-**	**-**	**(952,770)**	**(952,770)**
At 30 June 2018	**1,227**	**19,714,812**	**(24,449,855)**	**(4,733,816)**

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 July 2016	**1,227**	**19,714,812**	**(21,661,085)**	**(1,945,046)**
Loss for the period	-	-	(1,836,000)	(1,836,000)
Total comprehensive loss for the year	**-**	**-**	**(1,836,000)**	**(1,836,000)**
At 30 June 2017	**1,227**	**19,714,812**	**(23,497,085)**	**(3,781,046)**

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

1. Corporate Information

The Company is limited by shares incorporated in England and Wales and its Principal Place of Business and Registered Office is Wellington House, East Road, Cambridge CB1 1BH.

2. Summary of Significant 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.

The financial statements are presented in Sterling (£) which is the company's functional currency.

(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 party 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 to 90-day terms, are recognised initially at transaction price, less an allowance for impairment.

2. Summary of Significant 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. Non-monetary assets are recorded at the exchange rates ruling at the time the assets were acquired.

All translation differences are taken to the profit and loss account.

(j) Tangible Fixed Assets

The Company's fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation are computed based on the straight-line method over the estimated useful lives of the various classes of assets. The ranges of estimated useful lives for the principal classes of assets are as follows:

Laboratory equipment – 5 years
Computer equipment – 5 years
Fixtures and fittings – 7 years

The Company reviews its long-lived assets for impairment annually, or when events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. An asset is considered impaired when the fair value, which is the expected undiscounted cash flows over the remaining useful life, is less than the net book value. The excess of the net book value over its fair value is charged as impairment loss to profit and loss account.

Repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred. Gains and losses on disposal are determined by comparing the proceeds on disposal with the carrying amount and are included in profit or loss.

2. Summary of Significant Accounting Policies (continued)

(k) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

(l) 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.

(m) 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. Summary of Significant Accounting Policies (continued)

(m) 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.

(n) 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.

(o) Research and development costs

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

2. Summary of Significant Accounting Policies (continued)

(p) 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 2018 the company has net liabilities of £4,733,816 and made a net loss after tax of £952,770.

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.

As announced on ASX on 6 June 2018, Avita Medical Limited completed the first tranche of an institutional placement of its capital raise and receive net proceeds of A$11.94m. The institutional placement included a second tranche of an institutional placement of its capital raise and receive net proceeds of A$3.04m on 26 July 2018. Further, on 4 December 2018, Avita Medical Limited completed another institutional placement and the first tranche of its capital raise and receive net proceeds of A$22.3m. The institutional placement included a second tranche of its capital raise and received net proceeds of A$14.6m on 23 January 2019.

The Group benefits from cash inflows from the series of BARDA contracts, the first of which was awarded to the Company in September 2015. These payments from BARDA offset costs from various activities undertaken to support the FDA regulatory approval process for RECELL in the U.S., preparation for the planned commercial launch of RECELL in the U.S., and RECELL clinical programs in the U.S. With the U.S. FDA approval of RECELL for the treatment of burns in September 2018, and the U.S. market launch of the product in January 2019, sales of goods are expected to be an increasing source of revenue in the future. Another anticipated source of revenue for the Company is the BARDA contract line item covering the initial purchase, delivery and storage of RECELL devices in the amount of US$7,594,620 (~A$10m). The Group expects to be utilizing cash reserves until U.S. and international sales of its products reach the level to fund ongoing operations.

As a result of the above, the directors are satisfied that there is sufficient working capital to support the committed research and development programs and other activities over the next 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.

	2018 £	2017 £
United Kingdom	**119,579**	105,180
Europe	**146,648**	135,616
Rest of the world	**15,066**	25,673
	281,293	266,469

5. Operating loss

This is stated after charging / (crediting):

	2018 £	2017 £
Depreciation of fixed assets	**4,593**	11,051
Auditor's remuneration – audit services	**23,100**	22,000
Auditor's remuneration – non-audit services	**3,250**	3,100
Net (gain)/loss on foreign currency translation	**(224,878)**	162,022
Operating lease rentals – land and buildings	**12,964**	24,846

During the year the company received £74,550 (2017: £208,037) for the provision of research and development services for the group.

6. Administrative, sales and marketing expenses

	2018 £	2017 £
Administrative	**244,117**	948,961
Sales and Marketing	**951,664**	1,228,170
	1,195,781	2,177,131

7. Staff costs

	2018 £	2017 £
Wages and salaries	**553,095**	767,614
Social security costs	**56,310**	101,953
Other pension costs	**35,841**	64,502
	645,246	934,069

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

	2018 No.	2017 No.
Administration, Clinical and Finance	**2**	2
Sales and Marketing	**3**	5
	5	7

No directors are remunerated through Avita Medical Europe Limited. Personnel compensation in relation to key management for the year amounted to £371,999 (2017: £383,978).

8. Taxation on loss on ordinary activities

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

	2018 £	2017 £
UK Corporation Tax	-	-
Adjustment in respect of prior periods	-	-
Tax on loss on ordinary activities	-	-

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained as follows:

	2018 £	2017 £
Loss on ordinary activities before tax	**(952,770)**	(1,836,000)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2017: 19.75%)	**(181,026)**	(362,623)
Expenses not deductable for tax purposes	**518**	2,309
Fixed asset differences	**221**	200
Losses carried forward	**180,287**	360,114
Tax on loss on ordinary activities	-	-

A net deferred tax asset of £3,959k (2017: £3,797k) 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. Tangible fixed assets

	Computer equipment	Laboratory equipment	Fixtures and fittings	Total assets
Cost	£	£	£	£
At 1 July 2017	43,563	19,513	4,429	67,505
Additions	1,354	-	-	1,354
At 30 June 2018	**44,917**	**19,513**	**4,429**	**68,859**
Depreciation				
At 1 July 2017	36,519	15,558	3,381	55,459
Charge for the year	843	3,352	758	4,953
Adjustments for the year	-	-	(1,776)	(1,776)
At 30 June 2018	**37,362**	**18,910**	**2,363**	**58,635**
Net book values				
At 30 June 2018	**7,555**	**603**	**2,066**	**10,224**
At 30 June 2017	7,044	3,955	1,047	12,046

10. Stocks

	2018	2017
	£	£
Finished goods at cost	**49,182**	41,282

Stocks recognised in cost of sales during the year as an expense was £113,083 (2017: £134,085). An impairment loss of £7,862 (2017: £6,862) was recognised against stock.

11. Debtors

	2018	2017
	£	£
Trade debtors	**46,022**	67,093
Other debtors	**7,155**	14,184
Prepayments and accrued income	**7,761**	48,748
VAT and other tax refunds	**7,766**	17,742
	68,705	147,767

An impairment loss of £13,164 (2017: £52,536) has been recognised against trade debtors

12. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	296	96,807
Other creditors	-	9,342
Accruals and deferred income	83,949	63,990
Social security and other taxes	16,014	104,569
Pension creditor	3,116	6,353
	103,374	281,061

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

	2018 £	2017 £
Amounts owed to group undertakings	4,966,201	4,213,983

The company was financed by group borrowings with no fixed repayment terms or interest obligations. The borrowings were denominated primarily in AU$ and gains and losses arising on translation were charged to operating expenses.

14. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised costs	260,825	594,180

	2018 £	2017 £
Financial liabilities		
Financial liabilities measured at amortised costs	(5,050,446)	(4,384,122)

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.

15. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,227 (2017: 1,277) Ordinary shares of £1 each	**1,227**	1,227

16. 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.

Retained earnings – includes all current and prior period retained profit and losses.

18. Operating lease commitments

At the end of the period the company had no annual commitments under non-cancellable operating leases as set out below. The company's physical registered office in Wimbledon, London was closed effective 31 March 2018. Currently, the Company operates from a virtual office and there is no lease commitment for the year ended 30 June 2018.

	2018 £	2017 £
Within one year	-	20,500
Within 1 to 2 years	-	38,500
2–5 years	-	-
	-	59,000

19. 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: c/o Mertons Corporate Services Pty Ltd, Level 7, 330 Collins Street, Melbourne VIC 3000, Australia.