

# Half-Year Reports

## Announcement of Half-Year Results

### Appendix 4D

## Half-Year Financial Report to 31 December 2020

PolyNovo Limited  
ABN 96 083 866 862  
23 February 2021

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# Announcement of Half-Year Results

23 February 2021

## PolyNovo Half-Year Results

PolyNovo Limited ('Company' or 'PolyNovo') today announced the half year results for the period ending 31 December 2020.

The Company reported a net loss after income tax of \$3.54m (2019 \$2.42m). The increased loss includes \$1.23m in share-based payments expense and unrealised foreign exchange losses of \$1.44m. Excluding these non-cash items, the underlying loss is less than the prior period and reflects the growth in commercial sales of NovoSorb® BTM locally and overseas.

Total revenue of \$12.60m (2019 \$10.18m) includes commercial sales of NovoSorb BTM of \$11.25m up 31.2% on the prior corresponding period and revenue from the BARDA clinical trial program of \$1.35m. In addition, the Group recognised other income being interest of \$0.01m (2019 \$0.03m). At 31 December 2020, the Company held \$7.66m in cash and short-term investments.

PolyNovo continues to expand the global direct sales team. The US sales team continues to grow driving new account acquisitions and servicing inbound demand from surgeons wanting to adopt NovoSorb BTM. Our UK/Ireland and Australia/New Zealand teams are also expanding in response to revenue opportunities. The signing of two US general purchasing organisations (GPOs) is the beginning of a longer strategic step towards banner group account access with shortened introduction to purchase cycles.

Further GPO signings are anticipated in the year ahead.

Whilst COVID-19 has impacted US sales in Q2 we have achieved many new account acquisitions. This places PolyNovo in a good position to realise increased sales once surgeons and hospitals have increased surgical capacity.

Progress in the UK/Ireland has also been slowed by COVID-19 lockdowns and NHS congestion. However, our sales team have achieved sales in nine NHS hospitals and have six evaluations in progress. We appointed our first Irish salesperson, and he has already achieved surgical evaluations in three hospitals. Our potential in this region is promising.

Our distributor network continues to expand and enable PolyNovo to reach a wider geography. European access is now well advanced with further countries to come on board in the next few months. We have added Greece, Sweden, Belgium, Luxembourg, Netherlands, Finland, Poland, Turkey, Taiwan and Italy this FY to date.

During the Period, the Company's key initiatives and achievements include:

- Positive sales growth, new account acquisition and sales team expansion in all markets served directly
- Achieved sales in Canada under regulatory exemption
- Entered new markets as outlined above
- Established a strong digital marketing platform including many peer-to-peer webinars

- Received IDE approval by US FDA for the Pivotal trial supported by \$US15m funding from BARDA
- Implemented advanced business intelligence software which overlays the ERP and CRM systems
- Upgraded our IT systems to enable more sophisticated video call/interactions that includes data sharing
- Established Paradigm eQMS throughout the business bringing greater efficiency
- Centralised ADP payroll system for all direct markets
- Concluded stage 1 of the new factory build and commissioned the machinery within the building
- Started the stage 2 factory build that will enable all production machinery to move on site
- Appointed Dr Anthony Kaye, Chief Operating Officer
- Expanded our production team and capacity
- Appointed a business development manager, based in the UK to accelerate our European/Middle East expansion

Our sales teams remain focused on delivering sales revenue growth in the year ahead.

PolyNovo has participated in many virtual conferences with positive outcomes.

Surgeons are presenting their success stories with NovoSorb BTM to their peers through case studies that demonstrate outstanding results.

Within the DACH region we have seen several spontaneous webinars held between groups of surgeons discussing the advantages of NovoSorb BTM and this has led to many new accounts.

We host several webinars on our website under the healthcare professional tab at <https://polynovo.com/webinars/>

Our production capacity and logistics have maintained production schedules and successfully negotiated the challenges of airfreight to maintain more than sufficient stock levels in all regions:

## Further initiatives in H2 are:

- Realising sales from new accounts and Geographies
- Continued expansion of our direct sales teams
- Further geographical expansion in Europe and Asia via distributors

## Clinical Trials

- Recruitment of patients into the pivotal IDE burns trial (US and Canada) will commence recruitment March/April
- Recruitment of patients into the US Chronic wound reimbursement study is open for patient recruitment (NB: not a US FDA study or requirement)

## Product development

- Expansion of our research and development team to focus on commercialisation of additional products

## Hernia

- Completion of Stage 2 factory build by 31 May 2021

The hernia program now has several prototypes to address market and regulatory needs. We continue to assess the optimum product configuration to meet surgeon and patient needs, and refine the regulatory strategy to ensure the best pathway to FDA approval. Our current lead device is a combination of the NovoSorb foam reinforced with NovoSorb film; this combination requires some unique testing for regulatory data potentially impacting the timing of our US FDA 510k application.

Concurrently, we are considering prototypes that could give us other configurations of our product to progress a faster route to market. In addition, we are evaluating partnership opportunities to leverage potential partners access to market to accelerate the launch of a NovoSorb hernia device and provide wider market access, especially in the US. We expect to have a preferred pathway forward to announce to the market by July'21.

## Plastic and Reconstructive Devices

- Focus on device in-house device development

A full commentary and analysis of the operations and the 31 December 2020 half year financial report can be found in the Appendix 4D.

## Further information

Paul Brennan  
Managing Director  
Mobile: +61 427 662 317

David Williams  
Chairman  
Mobile: +61 414 383 593

## About NovoSorb®

NovoSorb is a novel range of bio-resorbable polymers that can be produced in many formats including, film, fibre, foam, and coatings. NovoSorb's unique properties provide excellent biocompatibility, control over physical properties, and programmable bio-resorption profile. NovoSorb BTM is registered for use in USA, Australia, New Zealand, Europe, UK/Ireland, South Africa, Malaysia, Singapore, India, Israel and Saudi Arabia.

## About PolyNovo®

PolyNovo is an Australian based medical device company that designs, develops and manufactures dermal regeneration solutions (NovoSorb BTM) using its patented NovoSorb biodegradable polymer technology. Our development program covers Breast Sling, Hernia, and other applications. For further information and market presentations see [www.polynovo.com](http://www.polynovo.com)

# Appendix 4D - Rule 4.2A.3

## Half-Year Report PolyNovo Limited ABN 96 083 866 862

### 1. Details of the reporting period and the previous corresponding period

Reporting Period:	Half- Year ended 31 December 2020
Previous Corresponding Period:	Half- Year ended 31 December 2019

### 2. Results for announcement to the market

	Change from 2019	2020
2.1. Total revenue	up 24% to	12,603,977
2.2. Loss after tax	up 46% to	-\$3,537,743
2.3. Loss after tax attributable to members	up 46% to	-\$3,537,743
2.4. Dividends	no dividend paid or declared in either period	
2.5. Record date for dividend entitlement	not applicable	
2.6. Brief explanation of figures in 2.1 to 2.4:	Refer to (i) the enclosed announcement by the Chairman and Managing Director and (ii) the Directors' Report contained in the Half-Year Financial Report.	

### 3. Net tangible assets

	31 December 2020	30 June 2020
Net tangible asset backing per ordinary security	\$0.047	\$0.036

4. Details of control gained or lost over entities during the period	Not applicable
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5. Details of individual dividends and payment dates	Not applicable
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6. Details of dividend reinvestment plans	Not applicable
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7. Details of associates and joint venture entities	Not applicable
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8. For foreign entities, which set of accounting standards is used in compiling the report	
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9. The Half-Year Financial Report is not subject to a review report that includes a modified opinion, emphasis of matter or other matter paragraph (a copy of the review report is included in the Half-Year Financial report enclosed).	
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The Half-Year Financial Report should be read in conjunction with the most recent annual financial report.

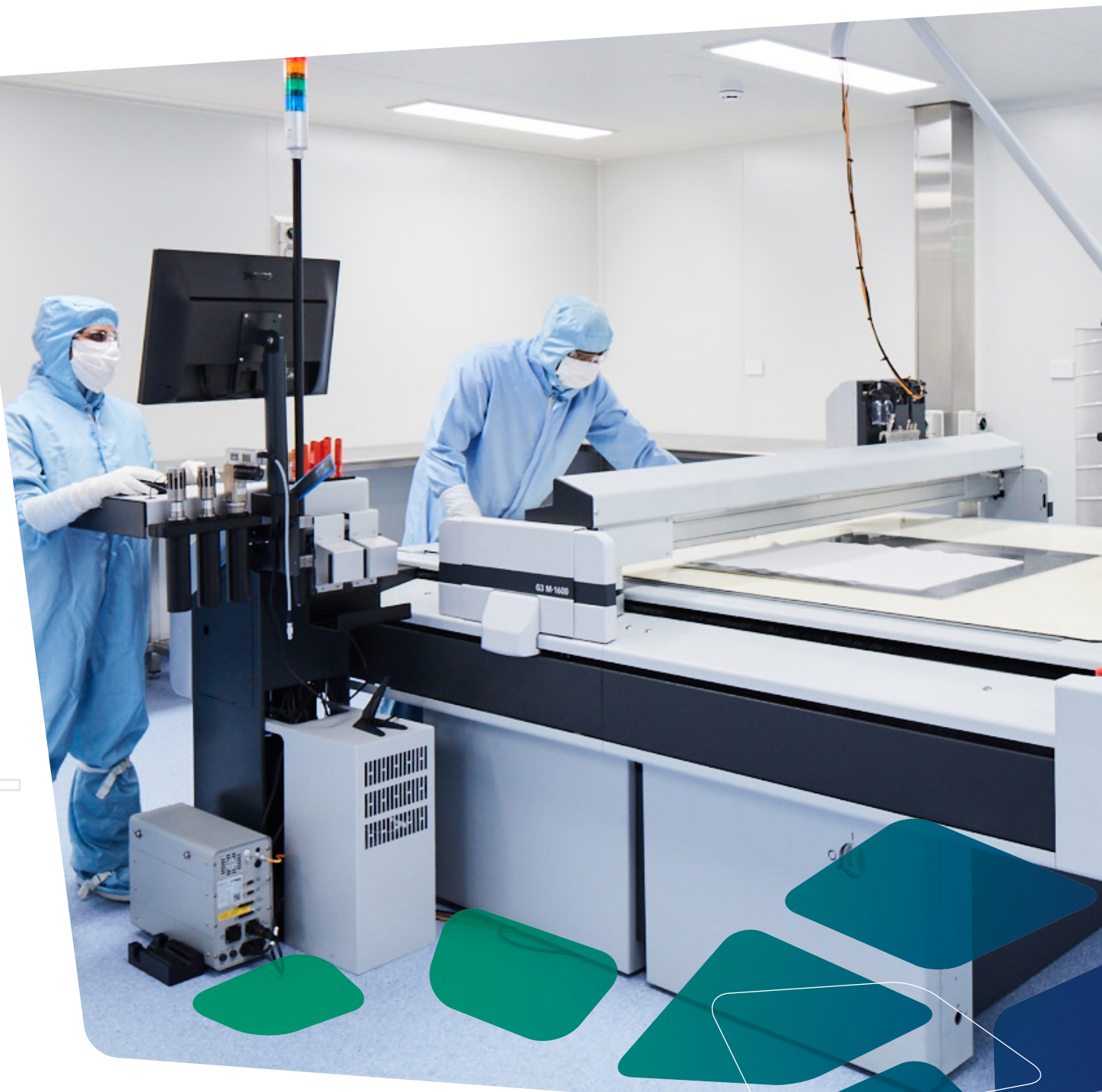
Date: 23 February 2021

**Jan Gielen**  
Company Secretary



# Half-Year Financial Report

For the half-year ended 31 December 2020



Improving outcomes.  
Changing lives.



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## Our Performance

For the half-year ended 31 December 2020

### NovoSorb BTM Sales

**+31.2%**

\$11.25 million 2020	\$8.57 million 2019
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### Total Revenue

**+25.3%**

\$12.80 million 2020	\$10.21 million 2019
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### Cash on Hand

**-5.9%**

\$7.66 million 2020	\$8.14 million 2019
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### Net Cashflow Operating Activities

**+37.0%**

-\$1.37 million 2020	-\$2.17 million 2019
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### Total Employees

**+40.0%**

91 people 2020	65 people 2019
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### Capital Expenditure

**-31.6%**

\$2.37 million 2020	\$3.46 million 2019
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### Operating Loss

(Excl. Share Based Payments &  
Excl. Unrealised Forex Loss)

**-78.9%**

-\$0.21 million 2020	-\$1.00 million 2019
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### Net Loss After Tax

(Excl. Share Based Payments &  
Excl. Unrealised Forex Loss)

**-41.8%**

-\$0.87 million 2020	-\$1.45 million 2019
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## Achievements

\$US15 million BARDA funding for Pivotal Trial

US FDA approved Pivotal Trial Investigation Device Exemption (IDE)

Distributor appointments in Finland, Taiwan, Greece, Sweden and Benelux

First sales in Finland and Taiwan

Increased revenue and customer base in all direct markets

Continued sales team growth in all regions

Breast device brought in-house to speed up path to market

Completed construction of stage 1 and commenced stage 2 of hernia cleanroom

# Director's Report

## For the half-year ended 31 December 2020

The Board of Directors of PolyNovo Limited ('PolyNovo') present their report in respect of the financial half-year ended 31 December 2020 ('the Period').

### Directors

The Company's Directors in office during or since the end of the Period are as detailed below. Directors were in office for the entire reporting period unless otherwise stated.

**Mr David Williams**

Non-Executive Chairman

**Mr Paul Brennan**

Managing Director

**Dr Robyn Elliott**

Non-Executive Director

**Ms Christine Emmanuel**

Non-Executive Director

**Mr Leon Hoare**

Non-Executive Director

**Dr David McQuillan**

Non-Executive Director

**Mr Bruce Rathie**

Non-Executive Director

**Mr Philip Powell** (resigned 13-Nov-20)

Non-Executive Director

**Mr Max Johnston** (resigned 13-Nov-20)

Non-Executive Director

### Review of Principal Activities and Operations

During the six-month period to 31 December 2020, the key initiatives, and achievements by PolyNovo included:

- Regulatory approval and market entry of NovoSorb Biodegradable Temporising Matrix (BTM) in Taiwan, Turkey, Finland, Norway, Benelux, Sweden and Greece.
- Increased revenue from NovoSorb BTM sales in all direct markets and in the DACH region (Germany, Austria, Switzerland) through our distributor.
- Achieved first sales to distributors in Taiwan and Finland.
- Continued sales team growth in all regions.

- US FDA approval of NovoSorb BTM IDE (Investigational Device Exemption) pivotal trial supported with BARDA funding; seeking pre-market approval (PMA) for full thickness burns.
- Completion of stage 1 of new factory build and commenced stage 2 which is due for completion by 31 May 2021.
- Completed fit out and occupation of expanded office in San Diego for PolyNovo US team.
- Appointed Dr Anthony Kaye from CSL to the position of Chief Operating Officer (COO).

The Group continues to monitor the impact of the pandemic (COVID-19) and the response from governments in controlling outbreaks. During the Period the Group received \$191,445 in government support in response to COVID-19. The support was provided in the form of a cash flow boost to reduce cash liabilities and to assist with retaining employees during a period of economic uncertainty. During the period elective surgery was impacted as well as access to hospitals and surgeons. The Group continues to take steps to mitigate the impact of the pandemic with a minimum of six months inventory held in local markets to avoid any potential supply chain issues and a COVID-safe plan in place which is in line with government guidelines. The Group continues to recruit new sales staff to drive sales growth and utilise digital marketing campaigns to facilitate sales engagement.

PolyNovo has a platform technology in NovoSorb® biodegradable polymer. BTM is a matrix used to regenerate the missing or damaged dermis. The NovoSorb BTM with US FDA 510(k), CE Mark, TGA ATRG listing and various other country approvals is the first commercial product to be sold by PolyNovo. Our research and development (R&D) programs are focused on NovoSorb based hernia and reconstruction medical devices. Further applications of NovoSorb as a drug elution pellet, dermal depot for Beta/Islet cell implantation, device implant coatings and several other applications are also in development.

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the principal activities of PolyNovo during the financial half-year ended 31 December 2020.

### Biodegradable Temporising Matrix (BTM)

NovoSorb BTM is sold direct by PolyNovo salesforce in Australia, New Zealand, US, UK, Ireland, Singapore, and Malaysia. PolyNovo utilises distributors for sales of NovoSorb BTM in DACH (Germany, Austria, and Switzerland), Benelux (Belgium, Netherlands, Luxembourg), Sweden, Italy, Finland, Poland, Greece, Turkey, South Africa, Saudi Arabia, India, and Israel. We continue to work on distribution agreements in other jurisdictions and regulatory approvals in other markets to enable market entries in the year ahead.

NovoSorb BTM has a CE Mark which includes an indication for use in full thickness burns as well as other surgical wounds and reconstructive procedures.

### BARDA

Our Biomedical Advanced Research and Development Authority (BARDA) contract commenced on 28 September 2015 and has been extended to 30 September 2025 for the Pivotal trial phase. This is a non-dilutive capital contract that supports a clinical trial on full thickness burns intended to lead to a Premarket Approval (PMA) application with the US FDA.

Our Investigational Device Exemption (IDE) approval by US FDA allows us to progress with patient recruitment into the pivotal trial involving burn centres throughout US and Canada. The BARDA contract was cost-plus-fixed-fee contract and it progressed in three stages: a feasibility study, a swine study for total degradation and a pivotal trial phase. The period of the contract covering the feasibility and swine study ended on 31 December 2020.



# Director's Report continued

## For the half-year ended 31 December 2020



The pivotal trial phase has \$15 million USD funding committed by BARDA facilitated through the extension of the existing contract to 30 September 2025 and will be exercised under a change in contract type from a cost plus fixed-fee to a cost-share type with PolyNovo's in-kind contribution of US\$11.4 million. PolyNovo's contribution includes in-house labour and BTM devices in conjunction with third party costs, as such the US\$11.4 million is not a full cash out contribution.

### Hernia Products

PolyNovo is in the process of validating the manufacturing processes facility for the hernia device. Much of the production equipment has been installed and commissioned by our team. Production of the finalised specification of product has commenced. There will be further packaging equipment installed over the coming months and the off-site production machines moved into the Port Melbourne facility.

The hernia program now has several prototypes to address market and regulatory needs. We continue to assess the optimum product configuration to meet surgeon and patient needs, and refine the regulatory strategy to ensure the best pathway to FDA approval. Our current lead device is a combination of the NovoSorb foam reinforced with NovoSorb film; this combination requires some unique testing for regulatory data potentially impacting the timing of our US FDA 510k application.

Concurrently, we are considering prototypes that could give us other configurations of our product to progress a faster route to market. In addition, we are evaluating partnership opportunities to leverage potential partners access to market to accelerate the launch of a NovoSorb hernia device and provide wider market access, especially in the US. We expect to have a preferred pathway forward to announce to the market by July'21.

### Plastics and reconstructive device

PolyNovo announced that we have taken this product development program in-house. We envisage this program to leverage much of the experience and processes developed for the hernia devices.

### Diabetes Developments

PolyNovo is supplying NovoSorb BTM in modified sizes to BetaCell Technologies ('BetaCell'), a third party R&D group. BetaCell are working with a global supplier of stem cell derived Islet cells for use in this R&D program. BetaCell have indicated they will commence human trials during calendar year 2021. PolyNovo will be supplying NovoSorb BTM for use within this trial however BetaCell will be the managers of the trial program. This treatment holds significant promise for treating Type I diabetes with reduced reliance on donor pancreas.



# Director's Report continued

## For the half-year ended 31 December 2020

### Significant Events after the Balance Date

The Directors are not aware of any other matters or circumstances since the end of the half-year review period other than those described below, nor otherwise dealt with in this report, which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Announcements released by the Company after 31 December 2020 include:

- 12 January 2021 – Trading Update H1 FY21
- 18 January 2021 – Response to ASX Query on Trading Update
- 20 January 2021 – PolyNovo enters Poland and Turkey – Distributor Appointment
- 1 February 2021 – PolyNovo enters Italy – Distributor Appointment

### Financial Result

The net loss of the consolidated entity attributable to members of the parent entity for the Period, after income tax was \$3,537,743 (2019: \$2,418,557). Net loss before income tax was \$3,510,260 (2019: \$2,418,557). The net loss includes share-based payments expense of \$1,233,724 (2019: \$878,594) and unrealised foreign exchange losses of \$1,436,135 (2019: \$88,772).

To assist in the evaluation of the financial performance of the Group, certain measures are used that are not recognised under the Australian Accounting Standards or International Financial Reporting Standards ('IFRS') and therefore, these are considered to be non-IFRS measures. Underlying loss is reported in order to give information to shareholders and to provide a greater understanding of the performance of the Group. Refer to the reconciliation of the underlying and reported financial information below.

	31 December 2020 \$	31 December 2019 \$
Net Loss after Tax	(3,537,743)	(2,418,557)
Add back Non-Cash Items:		
Share based payments expense	1,233,724	878,594
Unrealised Forex Loss	1,436,135	88,772
Underlying Loss	(867,884)	(1,451,191)

Non-IFRS financial information has been prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to review by the Group's external auditors. A reconciliation of loss after income tax to the underlying loss is provided on in the table above.

The consolidated entity increased commercial sales of product locally and overseas with revenue of \$11,249,722 for the Period (2019: \$8,571,640). Product sales continued to grow as we gain market penetration through an expanded sales force, distributors, and increased digital marketing activities. COVID-19 impacted sales growth in the second quarter mainly in the US and UK due to hospital capacity constraints and surgeon availability.

Revenue from the BARDA contract was \$1,354,255 (2019: \$1,607,480). This decrease reflects lower hospital activity in the transition from feasibility to pivotal trial. We expect to see this increase as patients for the pivotal trial are recruited late in Q3 FY21.

The consolidated entity did not accrue other income (2019: \$Nil) through the research and development tax credit for the half-year as it is likely total revenue will exceed \$20 million for the full year, being the maximum revenue allowable for the claiming of a research and development tax credit cash refund.

Employee expenses of \$9,067,909 were recognised for the six-month period ended 31 December 2020 (2019: \$6,786,640). The increase in employee expenses is due to headcount increases to drive growth in sales, marketing,

production, research and development and the share-based payments expense related to key management personnel.

Research and development costs of \$1,275,771 were recognised for the Period in respect of the hernia, breast and BARDA projects along with other projects to support new product initiatives (2019: \$1,359,616). The decrease relates to BARDA and reflects the lower activity in the transition from feasibility to pivotal trial.

Corporate, administration and overhead expenses recognised for the Period have increased to \$3,124,944 (2019: \$3,021,489). The impact of COVID-19 increased freight expenses but reduced travel and tradeshow expenses due to restrictions imposed. Insurance premiums, professional and corporate registry fees, and information technology expenses increased due to business expansion.

Unrealised foreign exchange losses recognised for the Period have increased to \$1,436,135 (2019: \$88,772) due to the appreciation of the Australian Dollar, in particular versus the US Dollar.

Interest income for the Period was \$941 (2019: \$33,526) due to low market interest rates, reduced cash reserves, maintaining immediate access to cash funds during the pandemic and continued investment in expansion.

Inventory on hand was \$1,575,202 (2019: \$1,217,042).

# Director's Report continued

## For the half-year ended 31 December 2020

### Cash and short-term investments

As at 31 December 2020, PolyNovo held total cash, including short-term investments, of \$7,661,682 (June 2020: \$11,647,701).

Term deposits exceeding three months term amounting to \$50,000 at 31 December 2020 (June 2020: \$50,000) have been classified as other financial assets in the statement of financial position.

As at 31 December 2020, PolyNovo has external borrowings consisting of two secured finance facilities with National Australia Bank (NAB), trade finance facility of \$817,708 (June 2020: \$4,808,499) and equipment finance facility of \$6,613,615 (June 2020: \$2,479,367). The trade finance facility is a short term facility maturing on 30 April 2021 and is used to fund deposits and progress payments for capital expenditure items. The equipment finance facility is used to fund repayment of the trade finance facility over a 5 year period after each capital expenditure item is paid in full. During the Period a number of capital expenditure items were paid in full.

### Inherent Risks of Investment in Biotechnology Companies

There are many inherent risks associated with the development of medical devices and bringing them to market. The clinical trial process is designed to assess the safety and efficacy of a medical device prior to commercialisation and a significant proportion of medical devices fail one or both criteria. Other risks include uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of necessary regulatory authority approvals and uncertainties caused by the rapid advancements in technology.

Companies such as PolyNovo are in part dependent on the success of their research projects and on the ability to attract funding to support these activities. Investment in research and development projects cannot be assessed on the same fundamentals as trading and manufacturing enterprises.

Thus, investment in companies such as PolyNovo must be regarded as risky and highly speculative. PolyNovo strongly recommends that professional investment advice be sought prior to investing in the Company.

### Forward-looking statements

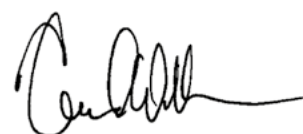
This report may contain forward-looking statements regarding the potential of the Company's projects and interests and the development and therapeutic potential of the Company's research and development. Any statement describing a goal, expectation, intention, or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercialising drugs and devices that are safe and effective for use as human therapeutics and devices and the financing of such activities. There is no guarantee that the Company's research and development projects and interests (where applicable) will receive regulatory approvals or prove to be commercially successful in the future. Actual results of further research could differ from those projected or detailed in this report. As a result, readers of this report are cautioned not to rely on forward-looking statements.

Consideration should be given to these and other risks concerning the Company's research and development program referred to in this report.

### Auditor's Independence Declaration

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Directors.



**Mr David Williams**  
Chairman

23 February 2021

# Auditor's Independence Declaration

## to the Directors of PolyNovo Limited



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Melbourne VIC 3000 Australia  
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### Auditor's Independence Declaration to the Directors of PolyNovo Limited

As lead auditor for the review of the half-year financial report of PolyNovo Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of PolyNovo Limited and the entities it controlled during the financial period.

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

Ernst & Young

A handwritten signature in black ink, appearing to be 'Ashley Butler'.

Ashley Butler  
Partner  
23 February 2021

# Consolidated Statement of Comprehensive Income

## for the half-year ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
<b>Revenue from contracts with customers</b>	4(a)	12,603,977	10,179,120
<b>Other income</b>			
Government COVID-19 assistance	4(b)	191,445	–
Finance revenue		941	33,526
Changes in inventories of finished goods and work in progress		(773,748)	(927,324)
Employee related expenses	4(c)	(9,067,909)	(6,786,640)
Research and development expenses		(1,275,771)	(1,359,616)
Depreciation and amortisation expense		(460,333)	(399,811)
Corporate, administrative and overhead expenses		(3,124,944)	(3,021,489)
Finance costs		(117,052)	–
Lease liability interest expense		(50,731)	(47,551)
Unrealised foreign exchange (loss)		(1,436,135)	(88,772)
Net loss before income tax		(3,510,260)	(2,418,557)
Income tax expense	5	(27,483)	–
<b>Net loss for the period</b>		<b>(3,537,743)</b>	<b>(2,418,557)</b>
<b>Other comprehensive income</b>			
Gain/(loss) on translation of foreign operation	14	510,524	(37,772)
<b>Total comprehensive loss for the period</b>		<b>(3,027,219)</b>	<b>(2,456,329)</b>
<b>Loss for the period attributable to:</b>			
Owners of the parent		(3,537,743)	(2,418,557)
<b>Loss attributable to members of the parent entity</b>		<b>(3,537,743)</b>	<b>(2,418,557)</b>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the parent		(3,027,219)	(2,456,329)
<b>Loss attributable to members of the parent entity</b>		<b>(3,027,219)</b>	<b>(2,456,329)</b>
<b>Loss per share</b>			
Basic loss per share (cents per share)	6	\$(0.54)	\$(0.37)
Diluted loss per share (cents per share)	6	\$(0.54)	\$(0.37)

The accompanying notes form part of these financial statements.



# Consolidated Statement of Financial Position

## as at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	7,661,682	11,647,701
Inventories	8	1,575,202	1,217,042
Receivables	9(a)	3,262,658	3,138,803
Contract asset	9(b)	583,880	782,716
Prepayments	10	1,709,992	2,441,740
Other financial assets		50,000	50,000
<b>Total current assets</b>		<b>14,843,414</b>	<b>19,278,002</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	16,684,234	13,890,380
Intangible assets		1,776,244	1,900,168
Contract asset	9(b)	424,414	-
Right of use asset		2,432,989	2,646,521
Other assets		143,776	141,870
<b>Total non-current assets</b>		<b>21,461,657</b>	<b>18,578,939</b>
<b>Total assets</b>		<b>36,305,071</b>	<b>37,856,941</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		3,425,578	3,171,995
Lease liability		278,176	323,876
Interest-bearing loans and borrowings	12	2,145,098	5,304,372
Income tax payable		47,012	54,729
Provisions		622,799	608,722
<b>Total current liabilities</b>		<b>6,518,663</b>	<b>9,463,694</b>
<b>Non-current liabilities</b>			
Provisions		186,158	166,834
Lease liability		2,295,496	2,420,058
Interest-bearing loans and borrowings	12	5,286,225	1,983,494
Deferred tax liability		-	10,837
<b>Total non-current liabilities</b>		<b>7,767,879</b>	<b>4,581,223</b>
<b>Total liabilities</b>		<b>14,286,542</b>	<b>14,044,917</b>
<b>Net assets</b>		<b>22,018,529</b>	<b>23,812,024</b>
<b>Equity</b>			
Contributed equity	13	139,070,502	139,070,502
Reserves	14	(2,858,021)	(4,602,269)
Retained earnings/(accumulated losses)		(114,193,952)	(110,656,209)
<b>Parent interests</b>		<b>22,018,529</b>	<b>23,812,024</b>
<b>Total equity</b>		<b>22,018,529</b>	<b>23,812,024</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

## for the half-year ended 31 December 2020

	Contributed equity \$	Other reserves \$	Acquisition of non-interest controlling reserve \$	Retained earnings/ accumulated losses) \$	Owners of the parent \$	Total \$
<b>As at 1 July 2019</b>	<b>139,070,502</b>	<b>2,782,047</b>	<b>(9,293,956)</b>	<b>(106,462,471)</b>	<b>26,096,122</b>	<b>26,096,122</b>
– Loss for the period	–	–	–	(2,418,557)	(2,418,557)	(2,418,557)
– Other comprehensive income (Translation)	–	(37,772)	–	–	(37,772)	(37,772)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>(37,772)</b>	<b>–</b>	<b>(2,418,557)</b>	<b>(2,456,329)</b>	<b>(2,456,329)</b>
<b>Transactions with owners in their capacity as owners</b>						
– Share-based payments	–	878,594	–	–	878,594	<b>878,594</b>
<b>As at 31 December 2019</b>	<b>139,070,502</b>	<b>3,622,869</b>	<b>(9,293,956)</b>	<b>(108,881,028)</b>	<b>24,518,387</b>	<b>24,518,387</b>
<b>As at 1 July 2020</b>	<b>139,070,502</b>	<b>4,691,687</b>	<b>(9,293,956)</b>	<b>(110,656,209)</b>	<b>23,812,024</b>	<b>23,812,024</b>
– Loss for the period	–	–	–	(3,537,743)	(3,537,743)	(3,537,743)
– Other comprehensive income (translation)	–	510,524	–	–	510,524	510,524
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>510,524</b>	<b>–</b>	<b>(3,537,743)</b>	<b>(3,027,219)</b>	<b>(3,027,219)</b>
<b>Transactions with owners in their capacity as owners</b>						
– Share-based payments	–	1,233,724	–	–	1,233,724	1,233,724
<b>As at 31 December 2020</b>	<b>139,070,502</b>	<b>6,435,935</b>	<b>(9,293,956)</b>	<b>(114,193,952)</b>	<b>22,018,529</b>	<b>22,018,529</b>

The accompanying notes form part of these financial statements.

# Consolidated Cash Flow Statement

## for the half-year ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		10,744,394	8,061,816
Receipts from BARDA reimbursements and advances		1,656,580	1,684,778
Receipts of research and development income tax credit	9	36,956	–
Receipts from royalty revenue		–	123
Payment of interest on debt facility		(112,055)	–
Payments of interest on lease liabilities		(50,729)	–
Payments to suppliers and employees		(13,646,717)	(11,915,269)
<b>Net cash outflows used in operating activities</b>		<b>(1,371,571)</b>	<b>(2,168,552)</b>
<b>Cash flows from investing activities</b>			
Interest received		812	24,103
Payments for purchase of property, plant and equipment		(2,365,615)	(3,457,595)
<b>Net cash (outflows) used in investing activities</b>		<b>(2,364,803)</b>	<b>(3,433,492)</b>
<b>Cash flows from financing activities</b>			
Payment of principle on lease liabilities		(167,527)	(178,318)
Drawdown on equipment finance facility		4,504,306	–
Repayment of equipment finance facility		(482,113)	–
Drawdown on trade finance facility		1,267,684	–
Repayment of trade finance facility		(5,258,475)	–
<b>Net cash flows from financing activities</b>		<b>(136,125)</b>	<b>(178,318)</b>
Net (decrease) in cash and cash equivalents		(3,872,499)	(5,780,362)
Cash and cash equivalents at beginning of period		11,647,701	13,920,695
Effects of foreign exchange rate changes		(113,520)	3,965
Cash and cash equivalents at the end of period	7	7,661,682	8,144,298

The accompanying notes form part of these financial statements.

# Notes to the Consolidated Financial Statements

## for the half-year ended 31 December 2020

### 1. Corporate Information

The financial report of PolyNovo Limited and its controlled entities for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 23 February 2021.

PolyNovo Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX code: PNV).

### 2. Basis of Preparation of the Half-Year Financial Report

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full annual financial report.

This half-year financial report should be read in conjunction with the annual financial report of PolyNovo Limited for the year ended 30 June 2020, which was prepared in accordance with the requirements of the *Corporations Act 2001*. This financial report also complies with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board.

It is also recommended that the half-year financial report be considered together with any public announcements made by PolyNovo Limited during the half-year ended 31 December 2020 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The financial statements of the Group have been prepared on a going concern basis. The Group's operational results reflect the continued operational investment in commercialisation activities and growth in revenue from customer sales from its existing NovoSorb BTM product, together with further investment in research and development as the group investigates advanced opportunities to further commercialise its existing polymer product across other surgical and treatment applications. As at 31 December 2020, the group has a net current asset position of \$8.3 million and has available cash on hand of \$7.7 million, in addition to undrawn access to equipment finance facility of \$1.5 million, after extinguishment of the trade finance facility. The Group has considered the impact of the COVID-19 pandemic, particularly in the key USA market, in making a going concern assessment. This assessment involves making assumptions on how the business and research and development activities might be affected, including the timing of any impact, as well as the Group's ability to meet its debts and obligations during such an environment over the foreseeable future. The Group has taken steps to mitigate any impact of the pandemic by increasing production capacity and output, increasing stock levels locally in all markets, focusing on digital sales and marketing campaigns and introducing Covid-Safe policies and procedures. The Directors and management continue to closely monitor the Group's key markets relative to its operations and have a number of actions available should further and extended adverse COVID-19 impacts be experienced.

Based on the cash flow forecasts for the next 12 months the Group will be able to pay its debts as and when they become due and payable. Accordingly, the Half-Year Financial Report has been prepared on a going concern basis.

#### (a) Basis of accounting

This half-year financial report for the period ended 31 December 2020 is a condensed set of financial statements, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements.

The half-year financial report has been prepared on an historical cost basis. The half-year financial report is presented in Australian dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### (b) Significant accounting policies

##### 1. Significant Accounting Estimates, Judgements and Assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make estimates, judgements and assumptions.

In preparing the interim condensed consolidated financial statements, the significant estimates, judgements and assumptions made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the most recent consolidated financial statements as at and for the year ended 30 June 2020.

##### 1.1 New standards, interpretations and amendments adopted by the Group

The accounting policies applied by the Group in this half-year financial report are consistent with those applied by the Group in its annual consolidated financial report as at and for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020.

A number of amendments and interpretations applied for the first time in this half year reporting period but did not have a material impact on the financial statements of the Group.



# Notes to the Consolidated Financial Statements continued

## for the half-year ended 31 December 2020

### 3. Segment Information

#### Operating segment

PolyNovo has only one operating segment being the development of the NovoSorb™ technology for use in a range of biodegradable medical devices.

The chief operating decision-maker is the Managing Director of PolyNovo Limited.

The chief operating decision-maker reviews the results of the business on a single entity basis.

For financial results refer to the Statement of Comprehensive Income and Statement of Financial Position.

The chief operating decision-maker monitors the operating results of the Group for the purpose of making decisions about resource allocation in order to progress the commercialisation of the PolyNovo technology.

During the period, the group has two customers with sales revenue from contracts with customers of individually greater than 10%. Both customers, one being BARDA, are based in the United States of America.

	31 December 2020 \$	31 December 2019 \$
<b>Revenue from contracts with customers</b>		
<b>Geographical areas</b>		
United States of America	10,349,607	8,361,968
Australia and New Zealand	1,634,920	1,731,612
Rest of world	619,450	85,540
	<b>12,603,977</b>	<b>10,179,120</b>
	31 December 2020 \$	31 December 2019 \$
<b>Non-current assets</b>		
<b>Geographical areas</b>		
United States of America	570,180	283,211
Australia and New Zealand	19,830,026	11,990,600
	<b>20,400,206</b>	<b>12,273,811</b>

### 4. Revenue

#### (a) Revenue from Contracts with Customers

Below is set out the disaggregation of Group revenue from contracts with customers.

	31 December 2020 \$	31 December 2019 \$
Commercial product sales	11,249,722	8,571,640
BARDA revenue	1,354,255	1,607,480
	<b>12,603,977</b>	<b>10,179,120</b>

# Notes to the Consolidated Financial Statements continued

## for the half-year ended 31 December 2020

### (b) Government COVID-19 Assistance

During the period, the Group received government grants as short term cash flow support due to COVID-19. The Group recorded the government grants as other income in the Statement of Comprehensive Income on the basis that the related costs for which the grant is intended to compensate were incurred.

Below is set out the disaggregation of revenue from COVID-19 government assistance:

	31 December 2020 \$	31 December 2019 \$
Cash flow boost – Australia	184,561	-
JSS Scheme – Singapore	6,884	-
	191,445	-

### (c) Expenses

	31 December 2020 \$	31 December 2019 \$
<b>Employee related expense</b>		
Wages and salaries	(6,230,731)	(4,724,014)
Superannuation	(331,158)	(251,702)
Share-based payments expense (note 14)	(1,233,724)	(878,594)
Other	(1,272,296)	(932,330)
	(9,067,909)	(6,786,640)

Other expenses includes directors' fees \$287,416 (2019: \$203,817), payroll taxes \$334,038 (2019: \$218,921), recruitment fees \$381,408 (2019: \$253,936) and health insurance contributions \$170,257 (2019: \$114,684).

## 5. Income Tax

### (a) Income tax benefit/(income tax expense)

	31 December 2020 \$	31 December 2019 \$
<i>Current income tax</i>		
Current income tax charge	(27,483)	-
Deferred income tax	-	-
Income tax	(27,483)	-
<b>Income tax recognised directly in equity</b>		
Deferred tax expense	-	-
Available-for-sale asset	-	-
<b>Reconciliation of income tax expense to prima facie tax payable</b>	<b>3,510,260</b>	2,418,557
Net loss before income tax expense		
Prima facie tax calculated at 27.5% (2019: 27.5%)	(965,321)	(665,103)
Tax effect of amounts which are not included in accounting loss:		
Research and development	183,411	231,240
Tax effect of amounts which are not deductible:		
Meals and entertainment	7,020	12,547
Share-based payments	339,612	241,613
Other	(26,772)	-
	(462,050)	(179,703)
Current year tax losses not brought to account	209,214	259,187
Current year temporary differences not brought to account	280,319	(79,484)
Income Tax Expense	27,483	-

# Notes to the Consolidated Financial Statements continued

## for the half-year ended 31 December 2020

### (b) Deferred tax assets and liabilities

	31 December 2020 \$	31 December 2019 \$
Deferred tax assets	719,820	643,058
Deferred tax liabilities	(719,820)	(643,058)
Net deferred tax assets/(liabilities)	-	-
<b>Deferred tax balances reflects temporary differences attributable to:</b>		
Amounts recognised in profit and loss		
Recognised tax losses	719,820	643,058
Recognised on temporary differences	(719,820)	(643,058)
Net deferred tax assets/(liabilities)	-	-
<b>Movement in temporary differences during the year:</b>		
Balance as of 1 July	-	-
Credit to profit and Loss	-	-
Charged to equity	-	-
Net deferred tax assets/(liabilities) as 31 December	-	-

### (c) Deferred tax assets not brought to account

	31 December 2020 \$	31 December 2019 \$
Unrecognised, unconfirmed tax losses for which no deferred tax asset has been recognised	96,804,647	93,483,260
Deductible temporary differences – no deferred tax asset has been recognised	280,319	-
	97,084,966	93,483,260
Potential tax benefit at 27.5%	26,698,366	25,707,897

The availability of the tax losses in future periods is uncertain and will be dependent on the Group satisfying strict requirements with respect to continuity of ownership and the same business test, imposed by income tax legislation. The recoupment of available tax losses as at 31 December 2020 is contingent upon the following:

- the Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- the conditions for deductibility imposed by tax legislation continuing to be complied with; and
- there being no changes in tax legislation that would adversely affect the Group from realising the benefit from the losses.

Given the Group's history of recent losses (with the exceptions of the benefit noted in (d) below) the Group has not recognised a net deferred tax asset with regard to unused tax losses, as it has not been determined that the Group will generate sufficient future taxable profit against which the unused tax losses can be utilised.

In a prior year, consideration was given to PolyNovo's ability to satisfy the tax loss recoupment tests for losses incurred in 2003 and earlier income years. Based on re-assessment, tax losses of approximately \$26 million were forfeited.

### (d) Income tax benefit

The income tax benefit arises due to the recording of deferred tax assets that are available in the current year to offset against deferred tax liabilities from temporary differences.

# Notes to the Consolidated Financial Statements continued

## for the half-year ended 31 December 2020

### 6. Loss Per Share

	31 December 2020	31 December 2019
Basic loss per share (cents)	\$(0.54)	\$(0.37)
Diluted loss per share (cents)	\$(0.54)	\$(0.37)
(a) Net loss used in the calculation of basic and diluted loss per share	(\$3,537,743)	(\$2,418,557)
(b) Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	661,088,044	661,088,044

### 7. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	31 December 2020	30 June 2020
Cash at bank and in hand	7,661,682	11,647,701
	<b>7,661,682</b>	<b>11,647,701</b>

As at 31 December 2020 the Company holds \$50,000 (June 2020: \$50,000) in term deposits with maturity date exceeding 90 days. These deposits are classified in the Statement of Financial Position as other financial assets.

PolyNovo has borrowings of \$7,431,323 (note 12) at the date of this report.

### 8. Inventories

Inventories are comprised of the following:

	31 December 2020 \$	30 June 2020 \$
Finished goods	1,284,327	907,441
Provision for finished goods	(8,977)	(87,041)
	<b>1,275,350</b>	<b>820,400</b>
Work in progress	238,165	323,594
	<b>1,513,515</b>	<b>1,143,994</b>
Raw materials and other	61,687	73,048
	<b>1,575,202</b>	<b>1,217,042</b>

During the period, the Company has written off \$5,938 (2019: \$nil) of inventory as a result of product expiry dates.



# Notes to the Consolidated Financial Statements continued

## for the half-year ended 31 December 2020

### 9. Receivables and Contract Assets

(a) Receivables are comprised of the following:

	31 December 2020 \$	30 June 2020 \$
Trade receivables	3,236,804	2,901,346
Research and development income tax credit	-	36,956
Interest receivable	152	330
GST recoverable	6,067	179,386
Sundry receivables	19,635	20,785
	<b>3,262,658</b>	<b>3,138,803</b>

At 31 December 2020, a research and development income tax credit has not been recognised as it is possible revenue will exceed \$20 million for the full year, being the maximum revenue allowable for the claiming of a cash refund. The research and development expenditure is eligible to be claimed as a tax offset under the R&D tax incentive scheme.

(b) Contract Assets are comprised of the following:

	31 December 2020 \$	30 June 2020 \$
Contract assets – current	583,880	782,716
Contract assets – non-current	424,414	-
	<b>1,008,294</b>	<b>782,716</b>

Contract assets comprises of funds owed from BARDA \$442,408 (June 2020: \$782,716) and deposits for consultancy services paid in advance \$565,886 (June 2020: \$nil).

#### Credit risk

Credit risk arises when a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. The Group is exposed to credit risk via its receivables and contract assets.

At 31 December 2020, the contract asset balance includes \$442,408 (June 2020: \$782,716) owing from BARDA, a US government agency. BARDA is contractually obliged to reimburse the Group for services provided and is considered to be low credit risk.

As noted, the Company has commenced making commercial sales of product to hospitals and distributors. At 31 December 2020, the trade receivables balance is \$3,236,804 (June 2020: \$2,901,346) offset by an expected credit loss allowance of \$40,412 (June 2020: \$40,412). To reduce risk exposure, the Company continues to apply stringent control procedures including a review of customer profile reports from debtor collection agencies prior to establishing the account.

### 10. Prepayments

Included in prepayments is an amount of \$247,569 (June 2020: \$1,871,475) related to payments required for the purchase of manufacturing equipment. The manufacturing equipment will be installed in the new Port Melbourne manufacturing facility currently being constructed. The remainder of prepayments comprises insurance costs, BARDA consultancy fees, property expenses and subscriptions.

# Notes to the Consolidated Financial Statements continued

## for the half-year ended 31 December 2020

### 11. Property, Plant and Equipment

#### Acquisitions and disposals

During the six months ended 31 December 2020, the Group acquired plant and equipment with a cost of \$128,853 excluding any costs capitalised related to construction in progress and equipment yet to be validated.

#### Construction in Progress

Construction in Progress of \$9,761,630, comprises of manufacturing facility under construction costs of \$5,857,342 and manufacturing equipment costs of \$3,904,288 not yet validated and are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

During the six months ended 31 December 2020, the Group spent \$2,294,893 (2019: \$1,943,832) related to the construction of the Port Melbourne facility. Of the cost recognised, \$929,503 relates to construction costs for the new manufacturing facility and \$1,365,390 to manufacturing equipment which is not currently being depreciated as the construction is under progress. On completion of the facility, the related assets will be capitalised and depreciated over the estimated useful life of the equipment.

Manufacturing facility under construction represents the accumulated cost of materials and any other costs incurred relating to the construction. These costs, amongst others, include import duties, installation, assembly and professional fees incurred to bring the asset to the location and condition needed for it to operate in a manner intended by management. When the construction is completed and the assets are ready for its intended use, these costs are then transferred to the relevant accounts and subject to depreciation.

Manufacturing equipment is measured on the cost of basis less depreciation and impairment losses, if any. During the year all manufacturing equipment has been delivered to Australia and part of it is being commissioned, however no validation has been performed. Validation occurs after full commissioning of the equipment and the Quality Assurance department performs an installation, operation and performance qualification. Upon complete validation, the equipment could be used for its intended purpose, in this case, manufacturing product for sale.

#### Impairment

Impairment expenses of \$nil were recognised by the consolidated entity during the half-year ended 31 December 2020 (2019: \$nil).

### 12. Financial Liabilities: interest bearing loans and borrowings

The Group has two finance facilities with National Australia Bank which are used to fund capital expenditure items.

					Current interest-bearing loans and borrowings		Non-current interest-bearing loans and borrowings	
	Facility Amount \$	Interest rate %	Repayment Terms	Maturity	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
Financing Facilities								
Trade finance*	1,000,000	BBY + 1.7	Interest only	30 April 2021	817,708	4,808,499	-	-
Equipment finance	9,300,000	2.56	5 years P&I		1,327,390	495,873	5,286,225	1,983,494
Total	10,300,000				2,145,098	5,304,372	5,286,225	1,983,494

\* The facility limit reduced from \$6 million to \$1 million on 30 September 2020.

# Notes to the Consolidated Financial Statements continued

## for the half-year ended 31 December 2020

### 12. Financial Liabilities: interest bearing loans and borrowings continued

#### Trade finance facility

The purpose of this facility is to fund deposits and progress payments for capital expenditure items.

The facility is an interest only facility and repayment of the facility is funded by drawing down on the equipment finance facility.

The facility has a limit of \$6.0 million and was made available on the 22 May 2020. The facility limit reduced to \$1.0m on 30 September 2020 and matures on 30 April 2021. At maturity any balance remaining is in relation to capital items not yet paid in full. The balance (if any) would be repaid out of cash on hand then once the capital items are paid in full the equipment finance facility will be drawn down. The limit reduction to \$1.0m on 30 September 2020 was tailored to meet capital expenditure requirements.

This facility is secured over the Group's property at 1/320 Lorimer St, Port Melbourne VIC 3207.

#### Equipment finance facility

Purpose of this facility is to fund repayment of the trade finance facility used for purchasing capital expenditure items such as hernia manufacturing equipment and construction of the cleanroom.

The facility has a limit of \$9.3 million and was made available on the 22 May 2020. As at 31 December 2020, the Group had utilised \$6,983,673 of the total equipment finance facility. During the period \$482,113 was repaid.

Repayments are made over 5 years and comprise of principal and interest from the date of drawdown of individual equipment finance loans. The facility currently attracts an interest rate of 2.56% p.a.

The facility is secured over the property at 1/320 Lorimer St, Port Melbourne VIC 3207.

As required by NAB's terms and conditions the parent entity PolyNovo Limited, has provided a cross-guarantee in conjunction with wholly owned subsidiaries Novoskin Pty Ltd and Novowound Pty Ltd for the facilities. The aggregate amount payable by the cross-guarantors is limited to \$15,300,000 excluding interest and penalties.

### 13. Contributed Equity

	31 December 2020		30 June 2020	
	No. of Shares	\$	No. of Shares	\$
Fully paid ordinary shares	661,088,044	139,070,502	661,088,044	139,070,502

During the Period under review the Company did not issue any new shares.

### 14. Reserves

	31 December 2020 \$	30 June 2020 \$
Share-based payments reserve <sup>(i)</sup>	6,453,482	5,219,758
Foreign currency translation reserve	(17,547)	(528,071)
Acquisition of non-controlling interest reserve	(9,293,956)	(9,293,956)
<b>Balance at end of period</b>	<b>(2,858,021)</b>	<b>(4,602,269)</b>

(i) This reserve is used to recognise the fair value of options issued.

# Notes to the Consolidated Financial Statements continued

## for the half-year ended 31 December 2020

	31 December 2020		30 June 2020	
	No. of options	\$	No. of options	\$
Share-based payments reserve	5,800,330	6,453,482	5,300,330	5,219,758

During the period under review 500,000 options were granted and no options were exercised. Options on issue as at the beginning and at the end of the reporting period are detailed in the following table.

Date of Issue	6/3/2019	13/8/2019	1/10/2019	9/8/2020 <sup>1</sup>	Total
On issue at beginning of the period	1,000,000	1,000,000	3,300,330	-	5,300,330
Granted during the period	-	-	-	500,000	500,000
Exercised during the period	-	-	-	-	-
Expired unexercised during the period	-	-	-	-	-
Forfeited/forfeited during the period	-	-	-	-	-
On issue at balance date	1,000,000	1,000,000	3,300,330	500,000	5,800,330
Issued subsequent to balance date	-	-	-	-	-
Exercised subsequent to balance date	-	-	-	-	-
Forfeited/Forfeited subsequent to balance date	-	-	-	-	-
On issue at date of Directors' Report	1,000,000	1,000,000	3,300,330	500,000	5,800,330
Current number of recipients	1	1	1	1	4

1. On 9 August 2020, the Group issued a share option award to a senior executive under the PolyNovo Employee Option Plan. The exercise price of the option plan of \$2.25 was equal to the market price of the shares on the date of grant. The options vest if the share price maintains \$2.25 for a 3-month continuous period and the employee achieves a 1 year service anniversary. The fair value of the grant was estimated using the Monte Carlo simulation, taking into account the terms and conditions upon which the options were granted. There is no cash settlement of the options. The options vest over a 3 year period through to November 2024.

For the six months ended 31 December 2020, the group has recognised a share based payment expense of \$1,233,724 (2019: \$878,594) in the Consolidated Statement of Comprehensive Income.

## 15. Contingent Liabilities and Contingent Assets

The Directors were not aware of any contingent liabilities or contingent assets as at 31 December 2020.

## 16. Capital Commitment

As at 31 December 2020, the Group had capital commitments of \$1.3 million. The capital commitments relate to the second stage of building the hernia cleanroom being the installation of industrial airconditioning and goods lift. It is expected that the capital commitments will be paid in full by June 2021.

## 17. Corporate Information

PolyNovo Limited is a company limited by shares that is incorporated and domiciled in Australia.

## 18. Related Party Disclosures

No transactions were entered into with any related party during the period.

## 19. Events After the Balance Sheet Date

The Directors are not aware of any other matters or circumstances since the end of the half-year review period, not otherwise dealt with in this report which have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.



# Directors' Declaration

## For the period ended 31 December 2020

In accordance with a resolution of the Directors of PolyNovo Limited, we state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) give a true and fair view of the financial position as at 31 December 2020 and the performance for the half-year ended on that date;
  - (ii) comply with Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



**Mr David Williams**  
Chairman

23 February 2021

# Independent Review Report

## to the Members of PolyNovo Limited



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### Independent Auditor's Review Report to the Members of PolyNovo Limited

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

##### Conclusion

We have reviewed the accompanying half-year financial report of PolyNovo Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

##### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

# Independent Review Report continued

## to the Members of PolyNovo Limited



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Ernst & Young

A handwritten signature in black ink that appears to read 'Ashley Butler'.

Ashley Butler  
Partner  
Melbourne  
23 February 2021

# Corporate Directory

ABN 96 083 866 862

## Non-Executive Chairman

Mr David Williams

## Non-Executive Directors

Dr Robyn Elliott  
Ms Christine Emmanuel  
Mr Leon Hoare  
Dr David McQuillan  
Mr Bruce Rathie

## Managing Director

Mr Paul Brennan

## Company Secretary

Mr Jan Gielen

## Registered Office

Unit 2/320 Lorimer Street  
Port Melbourne  
Victoria Australia 3207  
T (03) 8681 4050  
F (03) 8681 4099

## Share Registry

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford  
Victoria Australia 3067  
T 1300 850 505

## Auditors

Ernst & Young  
8 Exhibition Street  
Melbourne Victoria 3000

## Website

[www.polynovo.com](http://www.polynovo.com)

## Australian Securities Exchange

PolyNovo shares are quoted on ASX Limited  
(ASX Code: PNV)



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