

# Half-Year Reports

## Announcement of Half-Year Results

### Appendix 4D

## Half-Year Financial Report to 31 December 2021

PolyNovo Limited  
ABN 96 083 866 862  
25 February 2022

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PolyNovo Limited  
ABN 96 083 866 862  
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25 February 2022

## ASX Announcement

### Half Year Results for 1H FY22

PolyNovo's ASX release on 11 January 2022 pointed to record sales in the US and a record Q2 FY22.

The half year results attached to this release show:

- US Q2 sales was a record A\$8.06m / US\$ 5.86m up 105% on Same Time Last Year (STLY) of A\$3.92m / US\$2.89m
- US BTM sales for December was a record A\$3.40m / US\$2.43m up 76% on STLY of A\$1.93m / US\$1.45m.
- 1H FY22 sales in the US are A\$14.20m / US\$10.38m up 58% STLY

Since 31 December 2021 the momentum continued:

- The Group recorded BTM sales of A\$4.05m in January 2022, exceeding A\$4m in monthly sales for the first time
- Record US sales in January 2022 of AU\$3.7m up 96% on STLY
- In the US added 10 more customers bringing the total to 164
- Recruitment continues to increase US sales team from 40 to 54
- Strong recovery for ANZ with January 2022 sales of \$289k up 72.5% on STLY
- Accepted an offer for A\$6.35m (conditional on due diligence) for the sale and leaseback of Unit 1/320 Lorimer St, Port Melbourne

The Company reported revenue of \$18.15m up 41.9% on STLY (2020: \$12.80m) for 1H FY22.

This announcement has been authorised by PolyNovo Company Secretary Jan-Marcel Gielen.

#### Further information:

David Williams  
Chairman  
Mobile: + 61 414 383 593

Max Johnston  
Interim CEO  
Mobile: + 61 412 041 298

# APPENDIX 4D

## Half-Year Report

### 1. Company details

**Name of entity:** PolyNovo Limited  
**ABN:** 96 083 866 862  
**Reporting period:** For the half-year ended 31 December 2021  
**Previous period:** For the half-year ended 31 December 2020

### 2. Results for announcement to the market

				\$
Revenues from ordinary activities	up	41.9%	to	18,154,456
Profit from ordinary activities after tax attributable to the owners of PolyNovo Limited	up	145.8%	to	1,618,550
Profit for the half-year attributable to the owners of PolyNovo Limited	up	145.8%	to	1,618,550

#### Dividends

There were no dividends paid, recommended or declared during the current financial period.

#### Comments

The profit for the Group after providing for income tax amounted to \$1,618,550 (31 December 2020: loss of \$3,537,743).

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.03	0.05

### 4. Control gained over entities

Not applicable.

### 5. Loss of control over entities

Not applicable.

### 6. Dividends

#### Current period

There were no dividends paid, recommended or declared during the current financial period.

#### Previous period

There were no dividends paid, recommended or declared during the previous financial period.

### 7. Dividend reinvestment plans

Not applicable.

### 8. Details of associates and joint venture entities

Not applicable.

### 9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

### 10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

### 11. Attachments

Details of attachments (if any):

The Half Year Report of PolyNovo Limited for the half-year ended 31 December 2021 is attached.

### 12. Signed

Date: 25 February 2022

**Jan Gielen**

Company Secretary

# Globally recognised medical innovation

Half-Year Financial Report  
For the half-year ended 31 December 2021



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## VISION

PolyNovo is prepared for an exciting future with expansion into new markets and continued growth in NovoSorb BTM production within our facilities.

The talent within our team continues to grow ensuring we have the resources to execute our strategy of bringing disruptive medical devices to market. These devices are focused on our mission: Improving outcomes and changing people's lives.

Scan this QR code with your smartphone camera to find out about our new state-of-the-art facility or click here to [view](#).



## OUR PERFORMANCE (\$AUD)



### NovoSorb BTM USA Sales

↑ **57.9%**

1H22:  
\$14.20m

1H21:  
\$9.0m



### NovoSorb BTM GROUP Sales

↑ **44.6%**

1H22:  
\$16.27m

1H21:  
\$11.25m



### BARDA Revenue

↑ **34.8%**

1H22:  
\$1.83m

1H21:  
\$1.35m



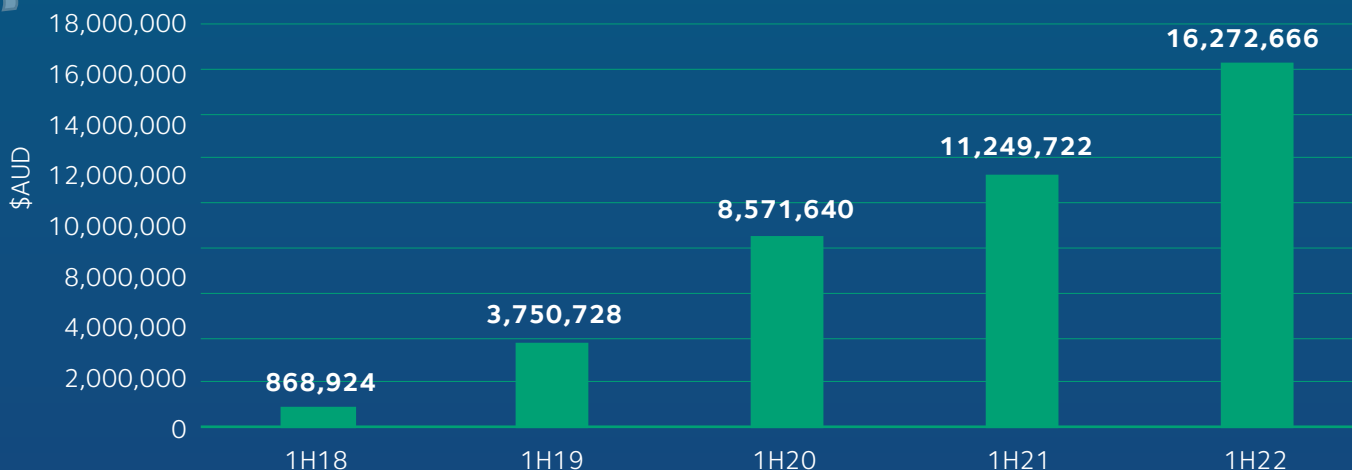
### Total Revenue

↑ **41.9%**

1H22:  
\$18.15m

1H21:  
\$12.80m

## 1st Half BTM Sales



### Total Employees

↑ 34.1%

1H22: 122  
1H21: 91

### Employee Related Expenditure (Excluding Share Based Payments)

↑ 45.3%

1H22: \$11.39m  
1H21: \$7.83m

### Inventory Finished Goods Value

↑ 27.3%

1H22: \$1.64m  
1H21: \$1.28m

### Capital Expenditure

↓ -67.0%

1H22: \$0.78m  
1H21: \$2.37m

### Net Cashflow Operating Activities

↓ -138.4%

1H22: -\$3.27m  
1H21: -\$1.37m

### Cash on Hand

↓ -57.1%

1H22: \$3.29m  
1H21: \$7.66m

### Net Profit/(Loss) After Tax

↑ 145.8%

1H22: \$1.62m  
1H21: -\$3.54m

### Net Loss After Tax (Excluding Share Based Payments & Excluding Unrealised Forex Loss)

↓ -189.1%

1H22: -\$2.51m  
1H21: -\$0.87m

# DIRECTORS' REPORT

For the half-year ended 31 December 2021

The Board of Directors of PolyNovo Limited ('PolyNovo') present their report, together with the financial statements, on the consolidated entity ('Group') consisting of PolyNovo Limited ('Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021 ('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  
(resigned 5<sup>th</sup> November 2021)

**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 Andrew Lumsden**  
Non-Executive Director

## Review of Operations

The Group recorded revenue of \$18,154,456 (2020: \$12,796,363) for the Period and net profit for the Group after providing for income tax amounted to \$1,618,550 (31 December 2020: loss of \$3,537,743). The profit includes the reversal of share awards and share options of \$4,708,151 forfeited by the Chief Executive Officer ('CEO') and Chief Operating Officer ('COO') upon their resignations during the Period.

Refer to the reconciliation of net profit to underlying loss in Financial Result section. During the 6-month period to 31 December 2021, the key initiatives, and achievements by PolyNovo included:

- First \$3 million BTM sales month (Dec 2021: \$3,791,952)
- Completed the 10-patient pilot Diabetic Foot Ulcer Trial and finalised the protocol for the 138 patient Diabetic Foot Ulcer Clinical Trial that is due to commence in FY22
- Enrolled first 5 patients in the pivotal arm of the BARDA sponsored US Burns study
- Expanded the R&D approach to Hernia development to include 4 design options
- Strengthened the U.S. team from 34 to 52 people and increased the U.S. customer accounts by 29% from 119 to 154
- Strengthened the U.K. and Ireland team to 6 people and increased UKI customer accounts by 62% from 23 to 38

“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.”

COVID-19 has led to new ways of working to allow remote working, virtual sales contacts, virtual conferencing, and protocols to ensure our profile in the market and demand generation continues to grow. All markets have been impacted to varying degrees by the lack of access to hospitals and medical professionals, and the reduction in procedures taking place with the biggest impact in UK and Ireland (UKI) and Europe, Middle East, and Africa (EMEA). Notwithstanding, the Group achieved 45% BTM sales growth globally and notably US revenue was up by 58% in the period to 31 December 2021 when compared to the comparative period. The Group continues to recruit sales and marketing staff to drive sales. The Company sees significant revenue upside in expanding its salesforce.

## Status of Markets COVID-19

All markets where we have operations have high vaccination rates and booster vaccine programs are underway. Australia and New Zealand (ANZ) experienced long lockdowns during 1H22 with less burn and trauma cases. Other markets such as the U.S. and the U.K. opened up with the ending of lockdowns but were impacted by the Delta strain of the virus and more recently Omicron. Lockdowns have since ended in ANZ, but some restrictions remain such as mask mandates in most markets we are in. People are returning to their normal activities which leads to more incidents of burns and trauma. Hospital capacity in all markets has been impacted by the Omicron outbreak with elective surgeries being cancelled, however elective surgery is now recommencing in multiple countries as Omicron case numbers subside. The US market has proven to be resilient with revenue up 58% for the period to 31 December 2021 and record sales in November 2021 and again in December 2021.

Markets where we have operations are open and international travel has begun to recommence. Maintaining surgeon engagement continues through a mix of virtual and in person meetings which has resulted in strong customer account acquisition throughout the pandemic and particularly in 1H22. To counteract any demand planning and supply chain issues, stock levels in all direct markets are being maintained at high levels. Logistics costs have increased, and we updated our cash flow forecasts to include the impact of changes in costs. The Group has a level of discretion in managing cash out flows in response to changes in the impact of COVID-19. A global COVID-safe plan has been implemented across the business in line with government guidelines to ensure the safety of staff and minimise business interruption.

PolyNovo has a platform technology in NovoSorb Biodegradable Temporising Matrix (BTM) used to regenerate the missing or damaged dermis. The NovoSorb BTM with the U.S. FDA 510(k), CE Mark, TGA ARTG 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 other tissue regeneration and reinforcement 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 in development.

Except as otherwise set out in this report, the Directors are not aware of any significant changes in the principal activities of PolyNovo during the financial half year ended 31 December 2021.

## Financial Result

The Group recorded revenue of \$18,154,456 (2020: \$12,796,363) for the Period. The net profit of the Group attributable to members of the parent entity for the Period, after income tax was \$1,618,550 (2020: loss of \$3,537,743). Net profit before income tax was \$1,692,599 (2020: loss of \$3,510,260). The net profit includes share-based payments expense of (\$3,751,237) (2020: \$1,233,724) and an unrealised foreign exchange gain of \$376,092 (2020: loss of \$1,436,135). The share-based payments expense of (\$3,751,237) includes the reversal of share awards and share options of \$4,708,151 forfeited by the CEO and COO upon their resignations.

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 non-IFRS measures. The underlying loss is reported below to give information to shareholders and to provide a greater understanding of the performance of the Group. Share based payments and unrealised forex gain/(loss) are non-cash expenses and by excluding, this details the underlying profit/(loss). Refer to the reconciliation of the underlying and reported financial information below.

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Net Profit/(Loss) after Tax	1,618,550	(3,537,743)
Share based payments expense	956,914	1,233,724
Share based payments forfeiture reversal	(4,708,151)	-
Unrealised forex (gain)/loss	(376,092)	1,436,135
Underlying Loss	(2,508,779)	(867,884)

# DIRECTORS' REPORT continued

## For the half-year ended 31 December 2021

Non-IFRS financial information has been prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. While not subject to an audit or review, the information has been extracted from the financial report, which has been subject to review by the Group's external auditors. The Group increased commercial sales of product locally and overseas with revenue of \$16,272,666 for the Period (2020: \$11,249,722). Product sales continued to grow as the Company gained market penetration predominately in the US through an expanded sales force and effective digital marketing activities. COVID-19 impacted sales growth in all markets to varying degrees due to lack of access to hospitals and doctors and the reduction in procedures taking place, with the biggest impact in UKI and EMEA.

Revenue from the BARDA contract was \$1,825,736 for the Period (2020: \$1,354,255). This increase reflects the commencement of the pivotal trial and recruitment of the first five patients.

The Group recorded Other Income of \$55,940 for the Period (2020: \$191,445).

Employee expenses of \$7,634,514 were recognised for the Period (2020: \$9,067,909) reflective of the reversal of historical share-based payments expense of (\$4,708,151). In excluding the current period impact of the share-based payment award, the increase in underlying employee expenses is due to headcount increases in sales staff, production, supply chain and R&D to drive sales growth and product development.

Research and development costs of \$2,376,638 were recognised for the Period in respect of hernia, breast and BARDA projects, along with other projects to support new product development (2020: \$1,275,771).

Corporate, administrative, and overhead expenses recognised for the Period have increased to \$4,690,615 (2020: \$4,561,079). Insurance premiums, professional and corporate registry fees and information technology expenses increased due to the growth in the size of the business. Freight fees remain higher than prior to the pandemic due to increased shipping costs, but travel and tradeshow expenses remain lower due to the impact of COVID-19 social restrictions.

Unrealised exchange gain recognised for the Period was \$376,092 (2020: loss of \$1,436,135) due to the depreciation of the Australian Dollar.

Inventory/finished goods on hand was \$1,615,557 (June 2021: \$1,490,175).

### Cash and Short-term Investments

As at 31 December 2021, PolyNovo held total cash, including short-term investments, of \$3,287,211 (June 2021: \$7,688,554).

Term deposits exceeding three months term amounting to \$50,000 at 31 December 2021 (June 2021: \$50,000) have been classified as other financial assets in the statement of financial position.

As at 31 December 2021, PolyNovo has secured external borrowings with National Australia Bank consisting of an equipment finance facility of \$7,196,431 (June 2021: \$6,524,584). The equipment finance facility is used to fund capital expenditure 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 and an additional \$1,444,231 was drawn down via the existing equipment finance facility to fund the equipment purchases.

### Biodegradable Temporising Matrix (BTM)

NovoSorb BTM is sold directly by PolyNovo salesforce in Australia, New Zealand, the U.S., the U.K., Ireland, Singapore and Malaysia. PolyNovo utilises distributors for sales of NovoSorb BTM in Germany, Austria, Switzerland, Belgium, Netherlands, Luxembourg, Sweden, Finland, Poland, Denmark, Greece, Italy, Cyprus, Turkey, South Africa, Saudi Arabia, India, Israel and Taiwan. The Company is working on distribution agreements in other jurisdictions and regulatory approvals in other markets to quickly expand our geographical footprint.

Key attributes of the NovoSorb technology include an unparalleled range of mechanical properties and bio absorption times, excellent biocompatibility and safety profile and harmless degradants.

Our Biomedical Advanced Research and Development Authority (BARDA) contract commenced on 28 September 2015 and is funded by the U.S.

Department of Health and Human Services (Office of the Assistant Secretary for Preparedness and Response). This contract 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. Five patients were recruited during the Period, and this will increase during the remainder of CY22. The BARDA contract is a cost-plus-fixed-fee contract, and it will progress in three stages: a feasibility study, a swine study for total degradation and a pivotal trial phase. The pivotal phase has US\$15 million funding committed by BARDA facilitated through the extension of the existing contract to 30 September 2025.

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

NovoSorb BTM continues to feature in major clinical conference presentations around the world. Many new clinical papers have been published in peer review journals and the surgeon-to-surgeon referral of the benefits of NovoSorb BTM is accelerating.

### Hernia Products

PolyNovo has expanded its approach to the Hernia market and is in the process of validating 4 design options for various hernia types. These are being developed simultaneously. The Company expects to develop more than one product and anticipates filing for FDA clearance in CY24.

### Plastics and Reconstructive Device Products

PolyNovo previously announced that it has taken the breast development program in-house. We envisage this program to leverage the experience and processes developed for the hernia devices. The hernia product development models serve as effective building blocks for other tissue reinforcement products in breast, orthopaedics, and other applications. We anticipate that manufacturing processes, technology and equipment will be shared across a range of products.

## Diabetes Developments

PolyNovo is supplying NovoSorb BTM in modified sizes to Beta-Cell Technologies, a third-party R&D group. BetaCell is working with a global supplier of stem cell derived Islet cells for use in this program. PolyNovo will be supplying NovoSorb BTM in unique shapes and sizes for the trial and Beta-Cell will explore the potential of integrated NovoSorb BTM to host pancreatic Islet cells in the skin. This treatment holds significant promise for treating Type I diabetes with reduced reliance on a donor pancreas. Beta-Cell has funding support from the Juvenile Diabetes Research Foundation.

## Significant Events after the Balance Date

A non-binding purchase proposal for \$6.35m was signed on 21 February 2022 for the sale and leaseback of Unit 1/316–320 Lorimer Street, Port Melbourne, which is owned by PolyNovo and includes part of PolyNovo's corporate head office and manufacturing facility. The adjacent Unit 2 is currently leased by PolyNovo through to April 2029 with no options to extend. The purchase proposal is conditional upon the purchaser completing a due diligence on the property within 14 business days from 28 February 2022 or exchange of contracts (whichever is earlier). Subject to satisfactory completion of due diligence, settlement is 90 days from the exchange of contracts with a deposit of 10% being payable upon the exchange of contracts. The lease term proposed is 10 years with two 5-year options. Should the due diligence process be completed to the satisfaction of the proposed acquirer without material change to the current non-binding purchase proposal, the Board intends to sell the property and enter the proposed lease terms. As this transaction and its related marketing occurred post reporting date, the Consolidated Statement of Financial Position as at 31 December 2021 does not include any adjustment to reflect an available for sale status of the property asset.

Subject to the property disposal being completed, the Group has also executed in the subsequent period revised Equipment Facility terms with its lender, National Australia Bank. The revised terms will require repayment of \$3m of the cash proceeds from the sale of Unit 1/320 Lorimer Street, Port Melbourne, against the existing Equipment Finance Facility with a subsequent reduction in

outstanding principal repayments and interest over the remaining loan period, thus reducing ongoing financing cash outflows.

The Directors are not aware of any other matters or circumstances since the end of the Period other than those described above, 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 2021 include:

- 11 January 2022 – 1H22 Indicative Trading Result (unaudited)
- 24 January 2022 Application for quotation of securities – PNV
- 24 January 2022 Notification of cessation of securities – PNV

## 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. 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.

## Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial half-year other than those included in this Directors' report.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



**Mr David Williams**  
Chairman  
25 February 2022

# AUDITOR'S INDEPENDENCE DECLARATION

to the Directors of PolyNovo Limited



**Building a better  
working world**

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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 2021, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene 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.

Ernst & Young

Ashley Butler  
Partner  
25 February 2022

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Note	Consolidated	
		31 December 2021 \$	31 December 2020 \$
<b>Revenue</b>			
Revenue from contracts with customers	4	18,098,402	12,603,977
Other income		55,940	191,445
Finance revenue		114	941
		<b>18,154,456</b>	12,796,363
<b>Expenses</b>			
Changes in inventories of finished goods and work in progress		(867,814)	(773,748)
Employee-related expenses	5	(7,634,514)	(9,067,909)
Research and development expenses		(2,376,638)	(1,275,771)
Depreciation and amortisation expenses		(749,026)	(460,333)
Corporate, administrative and overhead expenses		(4,690,615)	(4,561,079)
Lease liability interest expenses		(30,270)	(50,731)
Finance costs		(112,980)	(117,052)
		<b>1,692,599</b>	(3,510,260)
<b>Profit/(loss) before income tax expense</b>			
Income tax expense	6	(74,049)	(27,483)
		<b>1,618,550</b>	(3,537,743)
<b>Profit/(loss) after income tax expense for the half-year attributable to the owners of PolyNovo Limited</b>			
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
(Loss)/Gain on translation of foreign operation		(150,592)	510,524
		<b>(150,592)</b>	510,524
<b>Total comprehensive income for the half-year attributable to the owners of PolyNovo Limited</b>		<b>1,467,958</b>	(3,027,219)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	23	0.24	(0.54)
Diluted earnings per share	23	0.24	(0.54)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	Consolidated	
		31 December 2021 \$	30 June 2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	3,287,211	7,688,554
Trade and other receivables	8	6,229,324	5,667,055
Contract assets	9	146,315	146,315
Inventories	10	2,268,155	1,959,835
Prepayments	12	2,652,101	732,403
Other financial assets		50,000	50,000
<b>Total current assets</b>		<b>14,633,106</b>	<b>16,244,162</b>
<b>Non-current assets</b>			
Contract assets	9	402,365	475,522
Property, plant and equipment	13	17,836,534	17,584,398
Right-of-use assets	11	2,048,245	2,238,759
Intangibles		1,528,396	1,652,320
Prepayments	12	144,554	144,137
<b>Total non-current assets</b>		<b>21,960,094</b>	<b>22,095,136</b>
<b>Total assets</b>		<b>36,593,200</b>	<b>38,339,298</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	4,505,001	4,961,148
Borrowings	15	3,194,563	2,525,006
Lease liabilities	16	361,011	350,368
Provisions		878,520	739,010
Income tax	6	22,904	74,093
<b>Total current liabilities</b>		<b>8,961,999</b>	<b>8,649,625</b>
<b>Non-current liabilities</b>			
Borrowings	15	5,434,931	5,058,338
Lease liabilities	16	1,889,342	2,063,331
Provisions		238,162	215,959
<b>Total non-current liabilities</b>		<b>7,562,435</b>	<b>7,337,628</b>
<b>Total liabilities</b>		<b>16,524,434</b>	<b>15,987,253</b>
<b>Net assets</b>		<b>20,068,766</b>	<b>22,352,045</b>
<b>Equity</b>			
Issued capital	17	139,250,502	139,250,502
Reserves		(5,539,045)	(1,637,216)
Accumulated losses		(113,642,691)	(115,261,241)
<b>Total equity</b>		<b>20,068,766</b>	<b>22,352,045</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

Consolidated	Contributed Equity \$	Other Reserves \$	Acquisition of non-interest controlling Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2020	139,070,502	4,691,687	(9,293,956)	(110,656,209)	23,812,024
Loss after income tax expense for the half-year	-	-	-	(3,537,743)	(3,537,743)
Other comprehensive income for the half-year, net of tax	-	510,524	-	-	510,524
Total comprehensive income for the half-year	-	510,524	-	(3,537,743)	(3,027,219)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	1,233,724	-	-	1,233,724
Balance at 31 December 2020	139,070,502	6,435,935	(9,293,956)	(114,193,952)	22,018,529

Consolidated	Contributed Equity \$	Other Reserves (Note 5) \$	Acquisition of non-interest controlling Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2021	139,250,502	7,656,740	(9,293,956)	(115,261,241)	22,352,045
Profit after income tax expense for the half-year	-	-	-	1,618,550	1,618,550
Other comprehensive income for the half-year, net of tax	-	(150,592)	-	-	(150,592)
Total comprehensive income for the half-year	-	(150,592)	-	1,618,550	1,467,958
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	(3,751,237)	-	-	(3,751,237)
Balance at 31 December 2021	139,250,502	3,754,911	(9,293,956)	(113,642,691)	20,068,766

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED CASH FLOW STATEMENT

For the half-year ended 31 December 2021

	Note	Consolidated	
		31 December 2021 \$	31 December 2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		15,877,189	10,744,394
Receipts from BARDA reimbursements and advances		1,630,439	1,656,580
Receipts of research and development income tax credit		-	36,956
Payment of interest on debt facility		(112,980)	(112,055)
Payments of interest on lease liabilities		(30,270)	(50,729)
Payments to suppliers and employees		(20,633,651)	(13,646,717)
Net cash used in operating activities		(3,269,273)	(1,371,571)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(231,013)	(2,365,615)
Interest received		24	812
Net cash used in investing activities		(230,989)	(2,364,803)
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(193,616)	(167,527)
Drawdown on equipment finance facility	15	1,444,231	4,504,306
Repayment of equipment finance facility		(772,384)	(482,113)
Drawdown on trade finance facility		-	1,267,684
Repayment of trade finance facility		(981,754)	(5,258,475)
Repayment of short term loan		(534,930)	-
Net cash used in financing activities		(1,038,453)	(136,125)
Net decrease in cash and cash equivalents		(4,538,715)	(3,872,499)
Cash and cash equivalents at the beginning of the financial half-year		7,688,554	11,647,701
Net effects of foreign exchange rate changes		137,372	(113,520)
<b>Cash and cash equivalents at the end of the financial half-year</b>		<b>3,287,211</b>	<b>7,661,682</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

## Note 1. Corporate Information

The financial statements cover PolyNovo Limited as a Group consisting of PolyNovo Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is PolyNovo Limited's functional and presentation currency.

PolyNovo Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### Registered office

320 Lorimer Street, Port Melbourne, VIC, 3207

### Principal place of business

320 Lorimer Street, Port Melbourne, VIC, 3207

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2022.

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

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

It is also recommended that the interim financial report be considered together with any public announcements made by PolyNovo Limited during the half-year ended 31 December 2021 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

### Going Concern

The interim financial statements of the Group have been prepared on a going concern basis, consistent with the last Annual Report as at 30 June 2021 which included certain disclosures relating to the going concern basis. The Group's operations are subject to major risks due primarily to the nature of the research, development and continual market penetration, growth and commercialisation to be undertaken, and the ongoing need to fund these activities through the Group's working capital movements, budgeted growth in sales and existing finance facilities. These risks may materially impact the financial performance and position of the Group, including the value of recorded assets and the future value of its shares, options and performance rights. The financial statements take no account of the consequences, if any, of the effects of future unsuccessful research, development and commercialisation of the Group's existing BTM product and/or existing and future projects. The Group considered the ongoing global impact of the COVID-19 pandemic in making their going concern assessment, assuming how the business research and development activities might be affected as well as the Group's ability to meet its debts and obligations during such an environment taking into account all available reliable information about the future. The Group has a level of discretion in managing cash outflows in a response to changes in performance of the business, economic environment and impact of the pandemic, together with continuing to consider possible geographic licensing expansion, property asset sale and capital management strategies, including fund raising activities, if required.

### (a) Basis of accounting

This half-year financial report for the period ended 31 December 2021 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) New or amended Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021. A number of amendments and interpretations were applied for the first time in this half-year reporting period but did not have a material impact on the interim consolidated financial statements of the Group.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## (c) Critical accounting judgements, estimates and assumptions

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, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgement, estimates and assumptions applied in the Half-Year Financial Report, including the key sources of estimation uncertainty, are the same as those applied in the 2021 Annual Report.

## Note 3. Operating segments

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

The chief operating decision-maker is the Chief Executive Officer 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, one customer (BARDA) in the U.S., represented 10% of total sales revenue from contracts with customers.

	31 December 2021 \$	31 December 2020 \$
<b>Revenue from contracts with customers</b>		
Geographical areas		
United States of America	16,025,725	10,349,607
Australia and New Zealand	1,221,798	1,634,920
Other countries	850,879	619,450
	18,098,402	12,603,977
	31 December 2021 \$	31 December 2020 \$
<b>Non-current assets</b>		
Geographical areas		
United States of America	427,721	570,180
Australia and New Zealand	21,512,851	19,830,026
Other countries	19,522	-
	21,960,094	20,400,206

## Note 4. Revenue from contracts with customers

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
BARDA revenue	1,825,736	1,354,255
Commercial product sales	16,272,666	11,249,722
	18,098,402	12,603,977

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## Note 5. Employee-related expenses

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Wages and salaries (including sales commission)	9,357,231	6,230,731
Superannuation	449,010	331,158
Share-based payments expense	(3,751,237)	1,233,724
Other	1,579,510	1,272,296
	7,634,514	9,067,909

The Group reversed share awards and options in the Period, due to the resignations of the Managing Director (MD) and Chief Operating Officer (COO) during the period. The MD and COO's were offered 3,300,300 share awards and 500,000 share options respectively under certain vesting conditions (for vesting conditions details refer to PolyNovo 2021 Annual Report). Accumulated share option expenses recognised for the MD and COO during the Period were \$4,412,918 and \$295,233 respectively, and in total \$4,708,151. The share awards and options were forfeited when they resigned, thus the total expenses were reversed accordingly. As a result of the forfeitures, a net share-based income of \$3,751,237 was recognised in the period.

Other expenses includes directors' fees \$247,088 (2020: \$265,740), payroll taxes \$197,400 (2020: \$175,449), recruitment fees \$441,801 (2020: \$381,407) and health insurance contributions \$278,909 (2020: \$170,257).

## Note 6. Income tax expense

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

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	1,692,599	(3,510,260)
Tax at the statutory tax rate of 25% (2020: 27.5%)	423,150	(965,322)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development	(199,106)	183,411
Entertainment expenses	27,608	7,020
Share-based payments	(937,809)	339,612
Other	-	(26,772)
	(686,157)	(462,051)
Current half-year tax losses not recognised	753,136	209,214
Current half-year temporary differences not recognised	7,070	280,320
Income tax expense	74,049	27,483

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## (b) Deferred tax assets and liabilities

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Deferred tax assets	863,075	719,820
Deferred tax liabilities	(863,075)	(719,820)
Net deferred tax assets/(liabilities)	-	-

### Deferred tax balances reflects temporary differences attributable to:

Amounts recognised in profit and loss		
Recognised tax losses	863,075	719,820
Recognised on temporary differences	(863,075)	(719,820)
Net deferred tax assets/(liabilities)	-	-

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

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Unrecognised, unconfirmed tax losses for which no deferred tax asset has been recognised	96,166,284	96,804,647
Deductible temporary differences – no deferred tax asset has been recognised	870,145	280,319
	97,036,429	97,084,966
Potential tax benefit at 25% (2020: 27.5%)	27,202,747	26,698,366

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 2021 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 exception of the profit made in the Period), 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.

## (d) Current tax liability

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Provision for Income Tax	22,904	47,012

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## Note 7. Cash and cash equivalents

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Current assets</i>		
Cash at bank	3,287,211	7,688,554

As at 31 December 2021 the Group 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

## Note 8. Trade and other receivables

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Current assets</i>		
Trade receivables	5,528,549	5,022,587
BARDA trade receivables	534,303	201,852
Sundry receivables	166,329	442,564
	700,632	644,416
Interest receivable	143	52
	6,229,324	5,667,055

Trade receivables relates to invoices to customers for sale of goods and PolyNovo's BARDA project representing invoiced and uninvoiced services for labour and sub-contractor expenses.

## Note 9. Contract assets

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Current assets</i>		
Contract assets	146,315	146,315
<i>Non-current assets</i>		
Contract assets	402,365	475,522

In financial year 2021, the Group engaged a subcontractor to fulfill specific performance obligations with regards to the Group's BARDA arrangement. The Group was required to prepay a specific amount to the subcontractor to support the delivery of the Group's responsibilities under the BARDA contract. Amortisation is calculated on a straight-line basis over the life of the contract.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## Note 10. Inventories

Inventories are comprised of the following:

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Current assets</i>		
Raw materials	46,773	49,121
Work in progress	605,825	420,539
Finished goods	1,635,443	1,504,792
Provision for finished goods	(19,886)	(14,617)
	1,615,557	1,490,175
	2,268,155	1,959,835

## Note 11. Right-of-use assets

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Non-current assets</i>		
Right-of-use assets	3,017,501	3,001,782
Accumulated Depreciation – Right of use assets	(969,256)	(763,023)
	2,048,245	2,238,759

The Group has lease contracts for various items of property, office equipment and lease equipment used in its operations. Leases of property generally have lease terms between three and 10 years, while office and manufacturing equipment generally have lease terms between three and five years.

## Note 12. Prepayments

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Current assets</i>		
Prepayments	2,652,101	732,403
<i>Non-current assets</i>		
Security deposits	144,554	144,137

Prepayments includes two major components. One component is an amount of \$1,822,940 (June 2021: \$335,144) related to prepaid annual insurance premiums. The second prepaid component is an amount of \$425,256 (June 2021: \$nil) related to payments required for the study of PolyNovo Syntrel hernia repair device in a swine model.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## Note 13. Property, plant and equipment

### Acquisitions and disposals

During the Period, the Group acquired plant and equipment with a cost of \$613,535 excluding any costs capitalised related to construction in progress. No asset was disposed or sold.

### Construction in Progress

Construction in Progress of \$2,229,207 (30 June 2021: \$10,745,338) comprises of manufacturing equipment yet to be validated internally by Quality Assurance for manufacturing use.

During the Period, the construction of the Group's manufacturing facility at Unit 1, 320 Lorimer Street, Port Melbourne was completed in August 2021. The Group transferred an amount of \$6.7 million from Construction in Progress to buildings following certification by Quality Assurance. Further to this, equipment totalling \$2.4 million was validated internally by Quality Assurance and transferred out of Construction in Progress to R&D equipment or manufacturing equipment. Depreciation has been calculated on a straight-line basis over the useful life of the relevant asset category following certification.

### Impairment

Impairment expenses of \$nil were recognised by the Group during the Period (June 2021: \$nil).

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Non-current assets</i>		
Land – at cost	2,600,000	2,600,000
Buildings – at cost	9,463,952	2,738,322
Accum Depn – Buildings	(370,718)	(212,536)
	9,093,234	2,525,786
Leasehold improvements – at cost	2,099,893	2,099,893
Accum Depn – Leasehold improvements	(1,684,617)	(1,661,110)
	415,276	438,783
Furniture and fittings – at cost	611,596	601,187
Accum Depn – Furniture and fittings	(172,812)	(135,906)
	438,784	465,281
Computer hardware – at cost	586,963	450,371
Accum Depn – Computer hardware	(358,724)	(309,118)
	228,239	141,253
Office equipment – at cost	183,472	183,472
Accum Depn – Office equipment	(129,931)	(126,703)
	53,541	56,769
Manufacturing equipment – at cost	697,872	594,609
Accum Depn – Manufacturing equipment	(385,830)	(341,730)
	312,042	252,879
R&D equipment – at cost	3,707,706	1,389,776
Accum Depn – R&D equipment	(1,304,416)	(1,105,635)
	2,403,290	284,141
Computer software – at cost	176,701	173,029
Accum Depn – Computer software	(113,780)	(98,862)
	62,921	74,167
Construction in progress – at cost	2,229,207	10,745,339
	17,836,534	17,584,398

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## Note 14. Trade and other payables

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Current liabilities</i>		
Trade payables	1,287,481	1,814,219
Other payables	3,217,520	3,146,929
	<b>4,505,001</b>	4,961,148

## Note 15. Borrowings

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Current liabilities</i>		
Equipment Finance (a)	1,761,500	1,466,246
Trade Finance (b)	-	1,058,760
Short term loan (c)	1,433,063	-
	<b>3,194,563</b>	2,525,006
<i>Non-current liabilities</i>		
Equipment Finance – NC (a)	<b>5,434,931</b>	5,058,338

### (a) Equipment finance facility

The purpose of this facility is to fund the 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 \$9,300,000 and was made available on 22 May 2020. The facility is non-revolving. During the Period \$1,444,231 has been drawn down, with \$254,110 available as undrawn facilities as at 31 December 2021.

Repayments are made over 5 years from the date of draw down and comprise of principal and interest. The facility currently attracts an average interest rate of 2.82% 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 facility. The aggregate amount payable by the cross-guarantors is limited to \$9,300,000 excluding interest and penalties.

### (b) Trade finance facility

The facility was repaid in full on 12 Oct 2021 in accordance with the terms of the arrangement and then closed formally on 12 January 2022.

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

### (c) Short term loan

The purpose of this short term loan is to fund repayment cost of the FY22 insurances for PolyNovo Biomaterias Pty Ltd ('PNB') and PolyNovo Limited ('PNV').

Total funding amount with PNB is \$976,747. During the Period, \$287,032 has been paid. Repayments are monthly instalment over 10 months and comprise of principal and interest. The interest rate is 2.7% p.a.

Total funding amount with PNV is \$991,129. During the Period, \$247,782 has been paid. Repayments are monthly instalment over 12 months and comprise of principal and interest. The interest rate is 1.99% p.a.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## Note 16. Lease liabilities

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
<i>Current liabilities</i>		
Lease liability – current	361,011	350,368
<i>Non-current liabilities</i>		
Lease liability – non current	1,889,342	2,063,331

## Note 17. Issued capital

	Consolidated			
	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 \$	30 June 2021 \$
Ordinary shares – fully paid	661,388,044	661,388,044	139,250,502	139,250,502

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## Note 18. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

## Note 19. Contingent liabilities and Contingent assets

The Directors are not aware of any contingent liabilities or contingent assets as at 31 December 2021.

## Note 20. Capital Commitments

There were no capital commitments as at 31 December 2021.

## Note 21. Related party transactions

### Parent entity

PolyNovo Limited is the parent entity.

### Transactions with related parties

There were no transactions with related parties during the current and previous financial half-year.

### Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

### Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the half-year ended 31 December 2021

## Note 22. Events after the reporting period

A non-binding purchase proposal for \$6.35m was signed on 21 February 2022 for the sale and leaseback of Unit 1/316–320 Lorimer Street, Port Melbourne, which is owned by PolyNovo and includes part of PolyNovo's corporate head office and manufacturing facility. The adjacent Unit 2 is currently leased by PolyNovo through to April 2029 with no options to extend. The purchase proposal is conditional upon the purchaser completing a due diligence on the property within 14 business days from 28 February 2022 or exchange of contracts (whichever is earlier). Subject to satisfactory completion of due diligence, settlement is 90 days from the exchange of contracts with a deposit of 10% being payable upon the exchange of contracts. The lease term proposed is 10 years with two 5-year options. Should the due diligence process be completed to the satisfaction of the proposed acquirer without material change to the current non-binding purchase proposal, the Board intends to sell the property and enter the proposed lease terms. As this transaction and its related marketing occurred post reporting date, the Consolidated Statement of Financial Position as at 31 December 2021 does not include any adjustment to reflect an available for sale status of the property asset.

Subject to the property disposal being completed, the Group has also executed in the subsequent period revised Equipment Facility terms with its lender, National Australia Bank. The revised terms will require repayment of \$3m of the cash proceeds from the sale of Unit 1/ 320 Lorimer Street, Port Melbourne, against the existing Equipment Finance Facility with a subsequent reduction in outstanding principal repayments and interest over the remaining loan period, thus reducing ongoing financing cash outflows.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Note 23. Earnings per share

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Profit/(loss) after income tax attributable to the owners of PolyNovo Limited	1,618,550	(3,537,743)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	661,388,044	661,088,044
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,959,455	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	663,347,499	661,088,044
	Cents	Cents
Basic earnings per share	0.24	(0.54)
Diluted earnings per share	0.24	(0.54)

# DIRECTORS' DECLARATION

For the half-year ended 31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



**Mr David Williams**  
Chairman  
25 February 2022

# INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of PolyNovo Limited



Building a better  
working world

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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 condensed statement of financial position as at 31 December 2021, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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, we have not become aware of any matter that makes us believe that the half year financial report of the Group does not comply with the Corporations Act 2001, including:

- Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of 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*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### 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 control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

# INDEPENDENT AUDITOR'S REVIEW REPORT CONTINUED

to the members of PolyNovo Limited



## Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', is written over the printed name.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Ashley Butler', is written over the printed name.

Ashley Butler  
Partner

Melbourne  
25 February 2022

# CORPORATE DIRECTORY

## For the half-year ended 31 December 2021

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<b>Non-executive Chairman</b>	Mr David Williams
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<b>Non-executive Directors</b>	Dr Robyn Elliott Ms Christine Emmanuel Mr Leon Hoare Dr David McQuillan Mr Bruce Rathie Mr Andrew Lumsden
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<b>Chief Executive Officer (interim)</b>	Mr Maxwell Johnson
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<b>Company secretary</b>	Mr Jan Gielen
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<b>Registered office</b>	Unit 2/320 Lorimer Street Port Melbourne Victoria 3207  T (03) 8681 4050 F (03) 8681 4099
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<b>Share register</b>	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnson Street Abbotsford, Victoria 3067  T 1300 850 505
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<b>Auditor</b>	Ernst & Young 8 Exhibition St Melbourne Victoria 3000
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<b>Stock exchange listing</b>	PolyNovo Limited shares are listed on the Australian Securities Exchange (ASX code: PNV)
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<b>Website</b>	<a href="http://www.polynovo.com">www.polynovo.com</a>
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Improving outcomes.  
Changing lives.

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