

23 February 2015

Half Year Results

PolyNovo Limited (“Company” or “PolyNovo”), formerly Calzada, today announced its half year result for the period ending 31 December 2014.

The Company reported a net loss after income tax of \$1.44 million (2013:\$1.15 million). The increase is predominantly a result of organisational restructuring and the issue of options.

Total cash and deposits as at 31 December 2014 amounted to \$3.84 million.

Operational highlights for the half year include:

- Appointed Mr Paul Brennan as Chief Executive Officer of PolyNovo (commenced on 13 February 2015). The Board has resolved to strategically increase the depth of management expertise across the organisation. As a first step a Head of Regulatory Affairs has been appointed;
- Recruited 3 patients in the NovoSorb™ BTM burn trial being conducted at the Royal Adelaide Hospital, with encouraging initial results;
- Continued successful use of the BTM in surgical wounds under the Therapeutic Goods Administration (TGA) Authorised Prescriber Scheme. The use of BTM under this scheme has been extended for a further year;
- Designed a CE Mark trial for BTM in burns and surgical wounds, and applied to the Victorian Government for funding;
- Submitted a funding application to BARDA to support US regulatory and trial activities for NovoSorb™ BTM in burns in the US;
- Submitted a 510(k) regulatory application to the US Food and Drug Administration (FDA) for clearance to market NovoSorb™ BTM for use in surgical wounds in the US;
- Received CE Mark Approval for NovoPore™, allowing PolyNovo to market NovoPore™ in the European Union;
- Achieved ISO 13485 medical device manufacturer certification, for PolyNovo's quality management system; and
- A/Prof John Greenwood AM presented at the International Society for Burns Injuries in Sydney and the British Association of Plastic and Aesthetic Surgeons in the UK on the clinical performance of the BTM.



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PolyNovo continues to assess options for its Metabolic business.

Chairman Mr. David Williams said "The December half year has been an intense period of preparing for a number of pivotal clinical trials for our BTM product. PolyNovo has entered into discussions with EU, US and Australian regulators to clearly define the regulatory pathway to market, has submitted applications for government funding in Australia and the US and engaged with hospitals and surgeons to finalise clinical protocols in order to comply with regulatory requirements in various regions. We hope to be able to announce by June the detail of trial plans and funding arrangements.

"We are pleased that Mr. Paul Brennan has now commenced and we look forward to our new head of Regulatory Affairs, Ms. Ivy Cheng commencing in mid-March.

The Board remains focused and motivated on progressing as quickly as possible to commercialise the BTM in various regions while further developing the NovoSorb™ platform technology for other high value indications."

A full commentary and analysis of the operations and half year result can be found in the Appendix 4D and 31 December 2014 financial report.

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APPENDIX 4D

Name of Company: PolyNovo Limited (formerly Calzada)

Details of reporting period

Current period: 31 December 2014

Prior corresponding period: 31 December 2013

This report should be read in conjunction with the financial report ended 31 December 2014 and the 30 June 2014 annual report. It is recommended that the financial report be considered with all public announcements made by the Company in respect to its continuous disclosure obligations under the *Corporations Act 2001*.

Results for announcement to the market

Revenues and results from ordinary activities:	Change compared to			31/12/14
		31/12/13		
Total revenue:	increased	1.08%	to	\$162,614
Total expenses:	increased	12.29%	to	\$2,036,605
*(Loss)/Profit attributable to non controlling interest:	increased	142.37%	to	(\$797)
(Loss)/Profit from ordinary activities after tax attributable to members:	increased	25.67%	to	(\$1,441,137)
(Loss)/Profit for the period attributable to members:	increased	25.67%	to	(\$1,441,137)

*Non controlling interest recorded a profit of \$1,881 in prior corresponding period and a loss in the current period.

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Full commentary and analysis of the half year result can be found in the attached ASX announcement dated 23 February 2015 and the Directors Report. This announcement and the half year financial report forms part of the Appendix 4D.

Dividends

No dividends have been paid or declared by PolyNovo for the current half year.

No dividends were paid or proposed for the corresponding period.

<u>Net tangible assets</u>	31/12/14	31/12/13
Net tangible assets	\$4,894,202	\$7,380,403
Shares on issue	418,509,426	417,209,426
Net tangible assets per share	1.17 cents	1.77 cents

Status of review

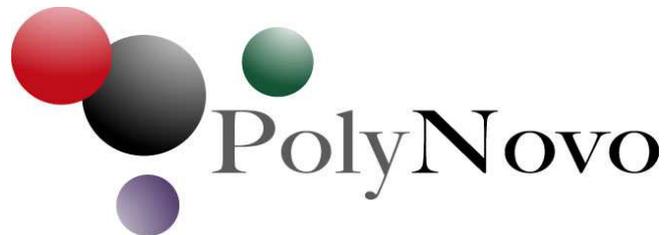
The financial report for the period ending 31 December 2014 has been reviewed by Ernst and Young, the Company's external auditors. A copy of the auditors review report is included in the half year financial report.

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PolyNovo Limited
(Formerly Calzada Limited)

ABN 96 083 866 862

Half-Year Financial Report
For the half-year ended 31 December 2014

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This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by PolyNovo Limited during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

The Board of Directors of PolyNovo Limited ("PolyNovo"), formerly Calzada Limited, present their report in respect of the financial half-year ended 31 December 2014 ("the Period").

DIRECTORS AND MANAGEMENT

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. Bruce Rathie, *Non-Executive Director*

Dr. David McQuillan, *Non-Executive Director*¹

Mr. Philip Powell, *Non-Executive Director*¹

Mr. Max Johnston, *Non-Executive Director*

Dr. Roger Aston, *Non-Executive Director (Resigned 10 September 2014)*

¹ During the period Mr. Powell and Dr. McQuillan undertook part time executive roles prior to the commencement of a new Chief Executive Officer.

The Board has appointed Mr Paul Brennan as PolyNovo's CEO with a mandate to build a robust clinical and regulatory strategy to underpin the commercialisation of NovoSorb™. Paul has spent his working life in the health industry and the last six years leading the Smith and Nephew Australia and New Zealand marketing team. His knowledge of what it takes for products to succeed in this sector will be critical. He comes well connected and already has a knowledge and enthusiasm for our wound and burn products. Paul commenced with PolyNovo on 13 February 2015.

Ms Ivy Cheng has been appointed to the newly created position of Regulatory Affairs & Clinical Compliance Manager. Ivy comes with strong credentials to this important position as the company seeks to undertake regulatory trials to register products, especially in the area of wound and burns. She will commence in mid-March 2015.

The Board is assessing additional appointments in the area of clinical trials and product manufacturing.

REVIEW OF PRINCIPAL ACTIVITIES AND OPERATIONS

PolyNovo is focused on developing regenerative medical devices aimed at reconstructive surgery and tissue repair incorporating its state of the art and patented biodegradable polymer technology NovoSorb™. NovoSorb™ is a family of proprietary medical grade polymers that can be utilised to manufacture medical devices designed to support tissue repair and then degrade in a defined fashion *in-situ* to harmless by-products. NovoSorb™ has significant advantages over competitor biodegradable polymers in terms of its design flexibility. PolyNovo is able to manufacture NovoSorb™ polymer devices with a range of mechanical properties and flexible degradation times from months to years that are suitable for many different medical applications.

Biodegradable Temporarily Matrix (BTM): Humans Trials in Wounds and Burns

Under our joint venture arrangements with NovoSkin Pty Ltd and NovoWound Pty Ltd, human trials at the Royal Adelaide Hospital under the supervision of A/Prof John Greenwood continued in surgically created wound trials ("free-flap surgery"). The successful results of the original trial were announced in October 2013. A research paper has been drafted and should be published during 2015. With the approval of the Therapeutic Goods Administration (TGA) 3 doctors at the Royal Adelaide Hospital have continued using BTM in 14 additional cases; all of which have indicated a pleasing outcome for patients. The TGA has recently approved the extension of use for another 12 months.

Importantly the first use in human for severe burns occurred in the second half of FY14 as part of a five person trial announced in December 2013. All patients have demonstrated that the BTM was easy to cut, apply and fix; easy to monitor; integrated completely into the wounds; delaminated in a single piece with a single action; and allowed successful complete skin graft take on all integrated BTM. So far the cosmetic and functional outcomes are superior to areas receiving skin graft alone. All three enrolled patients remain under close review and scar outcomes will be formally assessed at one year post application of BTM. Refer to the clinical trials section of the PolyNovo website for photos (www.polynovo.com).

The performance of BTM has been very pleasing and was subject of a well-received paper presented by A/Prof John Greenwood at the International Society for Burns Injuries Congress in Sydney last October. John and his team have also presented papers at specialist surgeon meetings in the UK and India and further presentations are scheduled. We congratulate John and his team at the Royal Adelaide Hospital for their on-going and enthusiastic support for NovoSorb™ in wounds and burns. This work is a

significant reason why eight of the leading US burn centres have provided letters of support for our US government agency funding application saying they wish to participate in a proposed pivotal trial. We have received a number of unsolicited expressions of interests from surgeons around the world enquiring as to how they can access the product.

NovoPore™ – Negative Pressure Wound Therapy (NPWT) Foam dressing

In late July, PolyNovo announced that its Negative Pressure Wound Therapy dressing NovoPore™ had received CE Mark approval. This followed on from receiving 510(k) marketing approval in the US. We continue to pursue commercialisation of this product however NovoPore™ should be seen as an opportunistic product that has provided a regulatory pathway for the business.

Biomedical Advanced Research and Development Authority (BARDA)

PolyNovo submitted a funding application with BARDA on 26 August 2014. A successful outcome would result in a non-dilutive funded burns trial of BTM which when completed would enable use in the US. The Board will advise shareholders once BARDA has made a final decision on PolyNovo's submission.

PolyNovo participated in a pre-submission meeting with the Food and Drug Administration (FDA) at the end of October. From this constructive meeting we have an understanding of their requirements for any BTM trials to achieve product registration in severe burns in the US.

510(k) Submission for Surgical Wounds

PolyNovo filed a 510(k) submission on 22 October 2014 for use of BTM in surgical wounds in the US. A successful submission would enable PolyNovo to market BTM for surgical wounds in the US. We have established a dialogue with the FDA, and hope to have an outcome in mid CY2015.

Victorian Government Grant and CE Mark Trial

A Feasibility Study funded by the Victorian Government that established protocols for a clinical trial of BTM in burns patients was finalised at the end of October. Successful completion of the feasibility study enabled PolyNovo to apply for second stage funding and if successful, PolyNovo would receive Victorian Government funding to undertake a human trial at The Alfred hospital. We expect the outcome of the application for funding to be known late in the first half of CY15.

It is intended that this trial will be part of multi-site CE Mark trial of BTM for burns and importantly should also provide a CE Mark for surgical wounds. The proposed CE Mark trial would involve sites in Australia, France and Taiwan. In these locations eminent burns surgeons have agreed to participate in the trials. We have appointed a leading European clinical research organisation to undertake the trial and interface with regulators.

Facial Aesthetics

NovoPlastiq was appointed our US-based licensee partner in 2013. The portfolio includes facial implants and injectable augmentation materials based upon the NovoSorb™ technology and intellectual property. This venture has not achieved its timetable and as a result the Board has terminated the licence with NovoPlastiq.

Fracture Fixation

Under a development program with Smith & Nephew they are conducting an animal trial which includes our material. While we have been advised that the results are encouraging, the next stage of trials depends on them obtaining funding from a US government agency. Other programs in the area of bone void fillers have concluded without any immediate plans by Smith & Nephew to proceed further.

Hernia Repair

The Company advised some time ago it was in discussions with a US specialist device regarding licensing NovoSorb™ for Hernia repair. With the commencement of PolyNovo's new CEO, discussions with this company are expected to resume shortly.

Intellectual Property

PolyNovo has strengthened its patent portfolio with the grant of an additional five patents this year including a US patent that covers binding drugs and bioactives.

Metabolic

Metabolic's primary asset is ownership of the AOD9604 intellectual property. AOD9604 is a 16 amino acid peptide based on a fragment of the C-terminus end of human growth hormone (hGH). A wide range of *in-vitro* and *in-vivo* testing has shown that AOD9604 has similar effects to hGH on fat metabolism and on bone, muscle and cartilage repair.

We believe that AOD has promise and potential however it requires significant spending to fund important and pivotal trials to investigate the potential of animal and human osteoarthritis applications. We believe there are companies with the experience,

skill and capital base that can arguably better maximise the value of AOD than PolyNovo can. In seeking expressions of interest for AOD we are open to staying in for some equity and earning any upside that may come from the development of AOD. At the date of this report there are no further developments.

FINANCIAL RESULT

The net loss of the consolidated entity attributable to members of the parent entity (after excluding the loss attributable to non controlling interests) for the Period, after income tax was \$1,440,340 (2013: \$1,148,676).

The net loss before income tax totalled \$1,441,137 (2013: \$1,146,795).

The consolidated entity recognised interest revenue of \$66,494 (2013: \$99,458), down from the prior year due to reduced interest rates and lower cash holdings.

The consolidated entity accrued \$432,854 (2013: \$505,957) of other income with respect to Research and Development benefits for the half year.

Employee expenses of \$1,032,688 were recognised for the Period (2013: \$652,471). The increase compared to the corresponding period is due to one-off costs in respect of the issue of options to Directors of \$139,616, the restructuring of the management of the Company which resulted in the termination of the former PolyNovo Biomaterials CEO of \$128,661 and the temporary role of Directors in an executive capacity (\$76,875).

Research and development costs of \$363,078 were recognised for the Period in respect of progressing the group's core technology (2013: \$383,682).

Corporate finance and administration expenses recognised for the Period were \$384,103 (2013: \$507,827). The reduction in costs is primarily due to lower legal and professional fees for the period.

Cash and short term investments

As at 31 December 2014, PolyNovo held total cash, including short term investments, of \$3,854,000 (June 2014: \$4,726,360).

The group's cash is being held as cash and cash equivalents, with \$3,050,000 (June 2014: \$60,000) being held in term deposits exceeding 3 months. This amount has been classified as other financial assets in the statement of financial position.

There are no borrowings at the date of this report.

INHERENT RISKS OF INVESTMENT IN BIOTECHNOLOGY COMPANIES

There are many inherent risks associated with the development of pharmaceutical and medical device products to a marketable stage. The clinical trial process is designed to assess the safety and efficacy of a drug or medical device prior to commercialisation and a significant proportion of drugs and medical devices fail one or both of these 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 difficulties 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 specialising in these, such as PolyNovo, must be regarded as highly speculative. PolyNovo strongly recommends that professional investment advice be sought prior to such investments.

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 that are safe and effective for use as human therapeutics 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, you 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 the following page.

Signed in accordance with a resolution of the Directors.



Mr David Williams
Chairman
23 February 2015

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Auditor's Independence Declaration to the Directors of PolyNovo Limited (formerly Calzada Limited)

In relation to our review of the financial report of PolyNovo Limited (formerly Calzada Limited) for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Don Brumley
Partner
23 February 2015

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Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 \$	31 December 2013 \$
Revenue			
Finance revenue		66,494	99,458
Sales of materials		3,000	3,000
Royalty revenue		14,944	-
Licence revenue		-	52,375
Other revenue		3,176	6,043
Grant income		75,000	-
Total revenue		162,614	160,876
Other income			
Research and development tax benefit		432,854	505,957
Operating leases		(153,447)	(157,579)
Employee related expenses	4	(1,032,688)	(652,471)
Research & development		(363,078)	(383,682)
Depreciation and amortisation expense		(103,289)	(112,069)
Corporate finance and administration expenses		(384,103)	(507,827)
Net Loss before income tax		(1,441,137)	(1,146,795)
Income tax benefit/(expense)		-	-
Net loss for the period		(1,441,137)	(1,146,795)
Other comprehensive income			
Net fair value gains/(loss) on available for sale financial assets		47,500	51,250
Total comprehensive income/(loss) for the period		(1,393,637)	(1,095,545)
Loss for the period attributable to:			
Non controlling interest		(797)	1,881
Owners of the parent		(1,440,340)	(1,148,676)
Loss attributable to members of the parent entity		(1,441,137)	(1,146,795)
Total comprehensive income/(loss) for the period attributable to:			
Non controlling interest		(797)	1,881
Owners of the parent		(1,392,840)	(1,097,426)
Loss attributable to members of the parent entity		(1,393,637)	(1,095,545)
Loss per share			
Basic loss per share (cents per share)	5	(0.34) cents	(0.28) cents
Diluted loss per share (cents per share)	5	(0.34) cents	(0.28) cents

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Note	31 December 2014 \$	30 June 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	804,000	4,666,360
Receivables		477,392	996,823
Prepayments		46,417	11,539
Other financial assets	6	3,050,000	60,000
Total Current Assets		4,377,809	5,734,722
Non-Current Assets			
Available-for-sale financial assets		150,000	102,500
Property, plant and equipment	7	874,991	949,710
Intangible assets		2,519,788	2,519,788
Other		110,174	106,998
Total Non-Current Assets		3,654,953	3,678,996
TOTAL ASSETS		8,032,762	9,413,718
LIABILITIES			
Current Liabilities			
Trade and other payables		316,690	375,762
Provisions		32,301	118,940
Total Current Liabilities		348,991	494,702
Non-Current Liabilities			
Provisions		48,997	24,661
Deferred rent liability		220,784	226,344
Total Non-Current Liabilities		269,781	251,005
TOTAL LIABILITIES		618,772	745,707
NET ASSETS		7,413,990	8,668,011
EQUITY			
Contributed Equity	8	94,870,080	94,870,080
Reserves	9	1,960,097	1,772,981
Retained Earnings/(Accumulated losses)		(89,365,095)	(87,924,755)
Parent interests		7,465,082	8,718,306
Non-controlling interest		(51,092)	(50,295)
TOTAL EQUITY		7,413,990	8,668,011

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Contributed equity	Gains/ (Losses) on available-for-sale financial assets	Other reserves	Acquisition of non controlling interest reserve	Deferred tax on available-for-sale assets	Retained earnings/ (Accumulated losses)	Owners of the parent	Non controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2013	91,581,364	87,500	1,659,687	(477,596)	-	(84,988,376)	7,862,579	(44,699)	7,817,880
- Loss for the period	-	-	-	-	-	(1,148,676)	(1,148,676)	1,881	(1,146,795)
- Other Comprehensive Income	-	51,250	-	-	-	-	51,250	-	51,250
Total comprehensive income for the period	-	51,250	-	-	-	(1,148,676)	(1,097,426)	1,881	(1,095,545)
Transactions with owners in their capacity as owners									
- Net proceeds from issue of shares	2,613,966	-	-	-	-	-	2,613,966	-	2,613,966
- Net proceeds from exercise of options	556,750	-	-	-	-	-	556,750	-	556,750
- Share based payments	-	-	7,140	-	-	-	7,140	-	7,140
As at 31 December 2013	94,752,080	138,750	1,666,827	(477,596)	-	(86,137,052)	9,943,009	(42,818)	9,900,191
As at 1 July 2014	94,870,080	103,750	2,146,827	(477,596)	-	(87,924,755)	8,718,306	(50,295)	8,668,011
- Loss for the period	-	-	-	-	-	(1,440,340)	(1,440,340)	(797)	(1,441,137)
- Other Comprehensive Income	-	47,500	-	-	-	-	47,500	-	47,500
Total comprehensive income for the period	-	47,500	-	-	-	(1,440,340)	(1,392,840)	(797)	(1,393,637)
Transactions with owners in their capacity as owners									
- Share based payments	-	-	139,616	-	-	-	139,616	-	139,616
As at 31 December 2014	94,870,080	151,250	2,286,443	(477,596)	-	(89,365,095)	7,465,082	(51,092)	7,413,990

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 \$	31 December 2013 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,906,581)	(1,884,327)
Proceeds from the sale of materials		-	3,078
Licence revenue		-	52,375
Receipt of Research and Development benefit		939,461	-
Receipt of Government Grants		82,500	-
Royalty revenue		10,357	-
Net cash outflows used in operating activities		(874,263)	(1,828,874)
Cash Flows from Investing Activities			
Interest received		73,189	85,575
Payments for plant and equipment		(71,286)	(52,647)
Term deposits now classified as cash and cash equivalents		(2,990,000)	(3,900,000)
Net cash inflows/(outflows) used in investing activities		(2,988,097)	(3,867,072)
Cash Flows from Financing Activities			
Net cashflows from financing activities			
Proceeds from the issue of shares		-	2,613,966
Proceeds from the exercise of options		-	556,750
		-	3,170,716
Net increase/(decrease) in cash and cash equivalents		(3,862,360)	(2,525,230)
Cash and cash equivalents at beginning of period		4,666,360	2,783,667
Cash and cash equivalents at the end of period	6	804,000	258,437

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1 CORPORATE INFORMATION

The financial report of PolyNovo Limited (formerly Calzada Limited) and its controlled entities for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 23 February 2015.

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 2014, which was prepared in accordance with the requirements of the Corporations Act 2001, the ASX Listing Rules, applicable Australian Accounting Standards (including International Financial Reporting Standards) and other mandatory professional reporting requirements.

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 2014 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

(a) Basis of accounting

This half-year financial report for the period ended 31 December 2014 is a general-purpose financial report, 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, except for available-for-sale financial assets that have been measured at fair value.

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

The accounting policies adopted in this half-year financial report are consistent with those used in the annual financial report for the year ended 30 June 2014.

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

3 SEGMENT INFORMATION

Business Segment

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

The chief operating decision maker from 13 February 2015 is the Chief Executive Officer of PolyNovo Limited. The chief operating decision maker was previously the Joint Acting Managing Directors and the Chairman.

The Company has been re-structured and only operates in one business and geographic segment. 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 Board monitors the operating results of the Group for the purpose of making decisions about resource allocation to each project. Projects are evaluated based on progressing the PolyNovo technology in accordance with budgeted Company expenditure, consistent with the presentation of the information in the Statement of Comprehensive Income.

For a description of PolyNovo's current projects refer to the Directors Report.

Geographical areas

The Group operates in only one geographical area.

4 EXPENSES

	31 December 2014 \$	31 December 2013 \$
Employee related expense		
Wages and salaries	(548,939)	(505,681)
Severance payments (including superannuation)	(128,661)	-
Superannuation	(64,571)	(46,194)
Share-based payments expense	(139,616)	(7,140)
Directors fees	(136,329)	(85,385)
Executive director fees ¹	(76,875)	-
Long service leave provision	24,295	(9,162)
Annual leave provision	38,008	1,091
	(1,032,688)	(652,471)

¹ During the period Mr. Powell and Dr. McQuillan undertook part time executive roles prior to the commencement of a new Chief Executive Officer on 13 February 2015.

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

5 LOSS PER SHARE

	31 December 2014	31 December 2013
Basic loss per share (cents)	(0.34) cents	(0.28) cents
Diluted loss per share (cents)	(0.34) cents	(0.28) cents
(a) Net loss used in the calculation of basic and diluted loss per share	(\$1,440,340)	(\$1,148,676)
(b) Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	418,509,426	404,126,855
(c) Potential ordinary shares that are not dilutive and are excluded from the calculation of diluted EPS	882,353	-

As the Company has incurred a loss for the half-years ended 31 December 2014 and 31 December 2013, potential ordinary shares, being options and performance rights to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted loss per share calculation.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	31 December 2014	30 June 2014
Cash at bank and in hand	\$ 804,000	\$ 566,360
Short term deposits	-	4,100,000
	<u>804,000</u>	<u>4,666,360</u>

As at 31 December 2014 the Company holds \$3,050,000 (June 2014: \$60,000) in term deposits with various maturity dates. These deposits each have a term exceeding 90 days. These deposits are classified in the Statement of Financial Position as financial assets.

PolyNovo has no borrowings at the date of this report.

7 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the half-year ended 31 December 2014, the consolidated entity acquired assets with a cost of \$71,286 (2013: \$52,647) and recognised proceeds from the sale of assets of \$nil (2013: \$nil).

Impairment

Impairment expenses of \$22,500 were recognised by the consolidated entity during the half-year ended 31 December 2014 (2013: \$Nil).

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

8 CONTRIBUTED EQUITY

	31 December 2014		30 June 2014	
	No. of Shares	\$	No. of Shares	\$
Fully paid ordinary shares	418,509,426	94,870,080	418,509,426	94,870,080

No new shares were issued by the Company during the period under review.

9 RESERVES

Consolidated Group

	31 December 2014	30 June 2014
	\$	\$
Share based payments reserve (i)	2,286,443	2,146,827
Gains/(losses) on available-for-sale financial assets (ii)	151,250	103,750
Acquisition of non controlling interest reserve (iii)	(477,596)	(477,596)
Balance at end of period	<u>1,960,097</u>	<u>1,772,981</u>

(i) This reserve is used to recognise the fair value of options issued but not exercised.

	31 December 2014		30 June 2014	
	No. of Options	\$	No. of Options	\$
Share Based Payments Reserve	14,500,000	2,286,443	12,350,000	2,146,827

During the period under review no options were exercised.

On 17 November 2014, 3,000,000 options were issued to certain Directors of the Company. These options vested immediately. 1,000,000 options had an exercise price of \$0.14 and an expiry of 17 November 2017, and 2,000,000 had an exercise price of \$0.20 and an expiry date of 17 November 2017. The expense recognised in the Statement of Comprehensive Income during the period was \$139,616.

Options issue during the period

Exercise Price	\$0.14	\$0.20
Number of options	1,000,000	2,000,000
Risk-free interest rate	2.71%	2.71%
Volatility	74%	74%
Expiry date	17 November 2017	17 November 2017
Dividend yield	-	-
Average fair value per option	\$0.054	\$0.043

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Date of Issue	20/11/12	12/4/13	19/05/14	17/11/14	Total
On issue at beginning of period	1,500,000	850,000	10,000,000	-	12,350,000
Granted during the period	-	-	-	3,000,000	3,000,000
Exercised during the period	-	-	-	-	-
Expired unexercised during the period	-	(850,000)	-	-	(850,000)
Forfeited during the period	-	-	-	-	-
On issue at balance date	1,500,000	-	10,000,000	3,000,000	14,500,000
Issued subsequent to balance date	-	-	-	-	-
Exercised subsequent to balance date	-	-	-	-	-
Forfeited subsequent to balance date	-	-	-	-	-
On issue at date of Directors report	1,500,000	-	10,000,000	3,000,000	14,500,000
Current number of recipients	3	2	1	4	
Exercise Price	\$0.11	\$0.11	\$0.09	\$0.14	
	-	-	\$0.20	\$0.20	
Exercise period	From 20/11/12 To 20/11/15	12/04/13 12/10/14	04/07/14 04/07/17	17/11/14 17/11/17	
	20/11/15	12/10/14	04/07/17		

All options vested 100% on grant date.

10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors were not aware of any contingent liabilities or contingent assets at 31 December 2014. There has been no change since that date.

11 CORPORATE INFORMATION

Calzada Limited changed its name to PolyNovo Limited on 21 November 2014. PolyNovo Limited is a company limited by shares that is incorporated and domiciled in Australia.

12 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

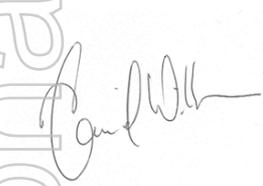
FOR THE PERIOD ENDED 31 DECEMBER 2014

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

In the opinion of the Directors:

1. (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 2014 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, 2015

To the members of PolyNovo Limited (formerly Calzada Limited)

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PolyNovo Limited (formerly Calzada Limited), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 are 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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*. As the auditor of PolyNovo Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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 PolyNovo Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its 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*.



Ernst & Young



Don Brumley
Partner
Melbourne
23 February 2015

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