HALF-YEAR FINANCIAL REPORT TO 30 SEPTEMBER 2020

APPENDIX 4D – ASX Listing Rule 4.2A

Aroa Biosurgery Limited
ARBN 638 867 473

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

Reporting period	30 September 2020
Previous corresponding period	30 September 2019

2. Results for announcement to the market

			30 September 2020 NZ$000	30 September 2019 NZ$000
2.1 Revenue – Product sales	down	10%	9,002	10,037
Revenue – Other	down	94%	178	3,128
2.2 Normalised loss before tax from ordinary activities	up	457%	(4,049)	(727)
2.3 Loss after tax attributable to members	up	1,440%	(13,493)	(876)
2.4 Dividends			Nil	Nil
2.5 Record date for dividend entitlement			Not applicable	Not applicable

2.6 Brief explanation of figures 2.1 to 2.3:

Explanation of Revenue (Appendix 4D item 2.1)
Product sales of $9.0 million for the half-year were down 10%, compared to H1 FY20 ($10.0 million). Product sales in the first quarter were impacted by the COVID-19 pandemic, however the Company has seen an improvement throughout the second quarter, exceeding management's internal expectations.

"Revenue – Other" includes project fees income of $178,000 (September 2019: $136,000) and royalties of $Nil (September 2019: $2,992,000). Revenues derived from royalties have no corresponding costs of sale and are one-off in nature.

Explanation of Loss (appendix 4D item 2.2 and 2.3) Normalised loss before tax from ordinary activities excludes one-off expenses totalling $9,382,000 during the reporting period, relating to pre-IPO and IPO transactions undertaken by the Company. These expenses included transaction costs of $1,369,000 for the IPO and fair-value adjustments to pre-IPO preference shares of $8,013,000. The increase in Normalised loss before tax from ordinary activities is primarily attributable to the one-off royalties of $2,992,000 in the previous corresponding period and an increase in 'Selling and administration expenses'.

Loss after tax attributable to members is inclusive of the one-off expenses relating to pre-IPO and IPO transactions undertaken by the Company.

3. Net tangible assets

	30 September 2020	30 September 2019
Net tangible assets* (NZ$000)	37,433	(13,864)
Total number of securities on issue**	300,074,925	2,760,314
Net tangible assets per security (NZ$)	0.12	(5.02)

* Net tangibles assets exclude all Intangible assets and Right of use assets, as reported within the Consolidated Statement of Financial Position
**Total number of securities on issue excludes all share options on issue. In the comparative period the total number of securities includes all classes of shares on issue

4. **Details of entities over which control has been gained or lost during the period:** Not applicable
5. **Details of dividends paid:** Not applicable
6. **Details of dividend reinvestment plans:** Not applicable
7. **Details of associates and joint venture entities:** Not applicable
8. **Set of accounting standards used in compiling:** NZ equivalent to International Financial Reporting Standards

This report is based on the half-year consolidated financial statements as at 30 September 2020, which have been reviewed by BDO Auckland (the Company's auditor) with the Independent Auditor's Review Report included in the 30 September 2020 half-year consolidated financial statements. The half-year report is not subject to a review report that includes a modified opinion, emphasis of matter or other matter paragraph.

This report should be read in conjunction with the annual report for the year ended 31 March 2020 and any public announcements made by Aroa Biosurgery Limited during the reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Dated 25 November 2020

James Agnew
Company Secretary

ARoa

AROA BIOSURGERY LIMITED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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DIRECTORS' REPORT

The Board of Directors of Aroa Biosurgery Limited ("the Company") are pleased to present this report in respect of the half-year ended 30 September 2020 ("the Reporting Period").

DIRECTORS

The Company's Directors during the period are detailed below. All Directors were in office for the entire reporting period.

James McLean	Independent Non-executive Director and Chairman
Brian Ward	Managing Director
Steven Engle	Independent Non-executive Director
Philip McCaw	Non-executive Director
John R. Pinion	Independent Non-executive Director
John Diddams	Independent Non-executive Director

REVIEW OF OPERATIONS

Aroa Biosurgery Limited (the "Company" or "Aroa") is a soft-tissue regeneration company that develops, manufactures, sells and distributes medical and surgical products to improve healing in complex wounds and soft tissue reconstruction. Committed to 'unlocking regenerative healing for everybody', its products are developed from the Company's proprietary Aroa ECM technology platform, a novel extracellular matrix biomaterial derived from ovine (sheep) forestomach. Clinically proven with peer reviewed publications, Aroa's products have been used in more than four million procedures to date, with distribution into its key market of the United States by Appulse and Tela Bio. Founded in 2008, Aroa is headquartered in Auckland, New Zealand.

STEPPING UP US COMMERCIAL EXPANSION

The Company's product revenues of NZ$9 million in the first half were ahead of the internal COVID-19 expectations. Following the delays experienced in elective surgery as a result of COVID-19 in April and May the Company has experienced increased demand as the levels of elective surgery and wound centre activity improve. Demonstrating this continued improvement, the Company expects to deliver revenue growth on H2 FY20 (NZ$11.9m) in the second half of FY21.

Buoyed by the improving outlook for the second half of FY21, Aroa will strengthen its US commercial team with three new field and two inside sales representatives and two medical science liaisons. The Company intends to add a further 10 field sales representatives in FY22 to primarily focus on sales of Myriad™ which has a total estimated market size globally of US$350 million. Similarly, Aroa's US partner, TELA Bio, has added a further 10 field sales representatives to drive increased adoption of Ovitex and Ovitex PRS in hernia and breast surgery. Increased sales resources will allow a deeper penetration within existing accounts to expand usage in more procedures.

MORE EMPHASIS BEING PLACED ON VIRTUAL PROMOTION

With reduced face-to-face physical meetings, the Company has placed a strong focus on virtual presentations, webinars and their presence at major conferences. Increased focus has been placed on the engagement of key opinion leaders to highlight the use of Aroa's Endoform® "high flow" product with negative pressure wound therapy and Myriad™ for soft tissue reconstruction. In the future, Aroa believes there is an increasing opportunity to build on its San Diego-based inside sales capability to complement the field sales team.

REGENERATIVE SCIENCE UNDERPINS AROA ECM PLATFORM

The Company continues to add to the substantial body of evidence which demonstrates that Aroa's ECM has unique regenerative characteristics which distinguish it from synthetics and traditional biologics. A peer reviewed study published in July 2020 showed that a protein released from Aroa's ECM during healing, was shown to communicate with stem cells and play an important role during normal soft tissue repair (https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0235784). This study builds on previous peer reviewed studies which have shown that the Aroa ECM platform includes over 150 proteins which are known to play an important role in wound healing and tissue regeneration.

STRONG CLINICAL OUTCOMES IN CHALLENGING CASES

Aroa continues to be very encouraged by emerging clinical evidence which shows that the healing properties of Aroa's ECM consistently contributes to positive outcomes across the product portfolio in a mix of procedures. These benefits are pronounced in complex cases where the presence of infection and inflammation are a major challenge and can lead to high rates of complications. A recent investigator-led study by Parker et al from Indiana University titled *"A novel biosynthetic scaffold mesh reinforcement affords the lowest hernia recurrence in the highest risk patients"* (Surgical Endoscopy https://doi.org/10.1007/s00464-020-08009-1, published on-line 24 September 2020) compared 50 high risk patients with Ovitex implants versus 50 low risk patients implanted with synthetic mesh. Despite the marked difference in risk, Ovitex recurrence rates were 8% versus 12% for synthetic mesh. Similarly, in the multi-centre BRAVO study of complex hernia, where infection and inflammation are common, only one recurrence was reported in 57 patients at 12 months and there were no recurrences for the 20 patients at two years follow up. These studies are contributing to growing interest and demand for Ovitex which has now been used in over 10,000 patients.

Pleasingly, early use of Myriad™ in soft tissue reconstruction is showing similar outcomes. A recent study in six patients with Hydradenitis Suppurativa (a skin condition where the tissue becomes highly inflamed and often involves infected lesions), showed 100% healing when Myriad™ was used for both implant procedures and dermal reconstruction in eight surgical sites. The complication rates in these patients typically ranges from 5-26%.

The Ovitex and Myriad™ outcomes are also consistent with previous Endoform® studies in diabetic foot ulcers and venous leg ulcers. In these conditions, Endoform® is frequently used in the presence of inflammation, bacterial colonisation and infection. Aroa expects to present further results from a 6,500 patient post market real world retrospective study in chronic wounds in Q4 FY21.

DIRECTORS' REPORT
(Continued)

STRONG CLINICAL OUTCOMES IN CHALLENGING CASES (CONTINUED)

Importantly, for the product portfolio, Aroa's ECM platform is continuing to demonstrate that it can provide robust tissue regeneration in patients with impaired healing in the presence of inflammation and infection. The existing clinical evidence coupled with an upcoming readout in Q4 CY20 from the Bravo Study, Myriad™ studies investigating use as a graft over exposed tendon and bone and a further study in complex non-healing wounds are expected to provide further evidence to drive increased adoption for both complex and more routine cases.

STAGED PRODUCT PIPELINE SUPPORTS GROWTH

Myriad™ particles provide Aroa's ECM in a convenient powdered format for surgical use in complex wounds in patients with impaired healing. In the last six months the Company has filed for a 510k clearance and is currently in a review process with the FDA. Aroa expects clearance in Q4 FY21 and with an immediate opportunity for this product to contribute to Myriad™ sales and increase gross margin.

Symphony was cleared by the US FDA in July 2020 and an application has been filed with Centres for Medicare and Medicaid Services (CMS) for reimbursement coding. The product has successfully been transferred to manufacturing and Aroa expects product to be available early in CY21 for clinical studies and a limited commercial launch. Full commercial launch is targeted for CY22.

Positive progress has been made with Aroa's negative pressure wound therapy (NPWT) development programme in pre-clinical models and the Company expects to provide an update on development activities and commercialisation plans in Q4 FY21 The development team for this project has been expanded to 21 and a further patent application has been filed to build on the previous application for a fluid drainage and delivery device.

MANUFACTURING PRODUCTIVITY GAINS & COMMENCING FACILITY EXPANSION

Aroa secured additional premises at the beginning of 2020, adjacent to the existing facility, to allow for further expansion of manufacturing facilities. Over the last six months, process improvements in manufacturing have led to significant improvements in capacity, which have helped to delay capital expenditure and will lead to margin improvements. With growing demand across the portfolio, the Company has initiated expansion plans and expects the first stage to be completed by December 2021.

OPPORTUNITY EXPANDING IN INTERNATIONAL MARKETS

Outside of United States, Aroa is continuing to execute its international market expansion strategy and secure new regulatory approvals and local distributors. In the last six months Myriad™ has been approved by regulatory authorities in Europe, Malaysia, Thailand, Israel, Jordan and Saudi Arabia, while Endoform® has been approved in Malaysia and Mexico. In addition, local distributors have been appointed in Italy, Portugal, Malaysia, Indonesia, Mexico, Israel, Kuwait, Oman, Qatar, UAE and Saudi Arabia.

COVID-19 IMPACT

Following the initial postponement of elective surgery and closure of outpatient wound centres the Company is seeing an increasing number of hospitals implementing measures which allow elective surgery and wound centre treatment to resume. Activity continues to be at a lower level than pre-COVID but there is a positive trend towards strengthening sales. The Company remains on watch for a resurgence of COVID-19 cases as the northern hemisphere heads into winter.

DIRECTORS' REPORT (Continued)

FINANCIAL RESULTS

NORMALISED PROFIT OR LOSS

The following Profit or Loss and Other Comprehensive Income is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the Group's comparative financial performance without any distortion from NZ GAAP accounting treatment specific to the one-off, non-cash fair value adjustment of pre-offer shares issued in February and May 2020 and the one-off transaction costs associated with the initial public offering on ASX in July 2020. This approach is used by management and the Board assess the Group's comparative financial performance.

	Unaudited 30 September 2020 NZ$000	Unaudited 30 September 2019 NZ$000
Product sales	9,002	10,037
Other revenue	178	3,128
Total revenue	**9,180**	**13,165**
Cost of sales	(3,145)	(3,057)
Gross profit	**6,035**	**10,108**
Gross margin %	**66%**	**77%**
Other income	1,869	480
Normalised selling and administrative expenses*	(8,561)	(7,030)
Research and development	(2,791)	(2,474)
Normalised other losses*	(2)	(2)
Total normalised operating expenses	**(11,354)**	**(9,506)**
Normalised EBIT	**(3,450)**	**1,082**
Add back: Depreciation & amortisation	1,134	1,071
Normalised EBITDA	**(2,316)**	**2,153**
Finance income	519	3
Finance expenses	(1,118)	(1,812)
Normalised loss before income tax	**(4,049)**	**(727)**

**These items have been normalised by the amounts outlined within the 'Reconciliation to NZ GAAP Profit or Loss"*

Product sales
Product sales of $9.0 million for the half-year were down 10%, compared to H1 FY20 ($10.0 million). Product sales in the first quarter were impacted by the COVID-19 pandemic, however the Company has seen an improvement throughout the second quarter, exceeding management's internal expectations.

Other revenue
Other revenue represents Royalties, received under the Company's licensing agreement with Tela Bio Inc. and Project fees income, received for product development projects undertaken with TelaBio Inc. No Royalties were payable under the licensing agreement for the half-year, compared to the $3.0 million received in H1 FY20.

Gross margin %
Gross margin % of 66% for the half-year was down 11%, compared to H1 FY20 (77%), primarily due to the one-off Royalties received in H1 FY20. Product gross margin % of 65% for the half-year was down 5% compared to H1 FY20 (70%) as a result of the lower product revenues (due to COVID-19) combined with the higher level of fixed indirect costs invested in during H2 FY20 to support higher sales volumes.

Other income
Other income represents government grants and subsidies.

Normalised operating expenses
Selling and administrative expenses for the half-year were up $1.5 million, compared to H1 FY20, primarily reflecting the increased investment into the Company's US based sales operations. Share based payments of $0.5 million for the half-year were up $0.4 million, compared to H1 FY20 and are a non-cash expense attributable to share options issued to Directors, key management and certain employees. The increase is a result of the new options issued upon the completion of the IPO in July 2020.
In addition, expenses increased as a result of becoming a publicly listed entity.

Research and development expenses for the half-year were up $0.3 million, compared to H1 FY20, reflecting the increase in staffing on pipeline products.

DIRECTORS' REPORT (Continued)

FINANCIAL RESULTS (continued)

RECONCILIATION TO NZ GAAP PROFIT OR LOSS

	Unaudited 30 September 2020 NZ$000	Unaudited 30 September 2019 NZ$000
Normalised loss before income tax	**(4,049)**	**(727)**
Transaction costs	(1,369)	-
Other losses	(8,013)	-
Loss before income tax (NZ GAAP)	**(13,431)**	**(727)**

Transaction costs
Transaction costs of $1.4 million relate to the costs associated with the initial public offering on ASX in July 2020 including lead manager fees, legal fees, accounting and audit fees, ASX listing fees and road show expenses. Out of the total costs of $3.0 million incurred during the half-year ended 30 September 2020, $1.6 million was recognised against share capital, with the remaining $1.4 million recorded within operating expenses.

Other losses
Other losses of $8.0 million are a non-cash, one-off expense attributable to the fair value adjustment of pre-offer shares issued in February and May 2020, which were classified as financial liabilities as opposed to equity in accordance with NZ IAS 32. During the reporting period, these financial liabilities at fair value through profit or loss were fully reclassified as equity, following the successful IPO in July 2020.

BALANCE SHEET

Cash and cash equivalent
Cash on hand increased significantly during the half-year due to pre-IPO and IPO related capital raise. Cash on hand, including term deposits as at 30 September 2020 was $38.7 million.

Term loans
Interesting bearing loans were reduced by $13.0 million during the half-year as a result of the repayment in June 2020 of 50% of the outstanding balance owed to Hollister Incorporated. As a consequence, the maturity date for repayment of the balance was extended to 31 March 2022. As a result of the extension, the loan was classified as a non-current liability at reporting date.

Right of use assets
The increase in right of use assets during the half-year is predominantly due to the new lease agreement entered into for the Company's second premise, to support the expansion of manufacturing capacity.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the period 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 future years.

J.N. McLean

Jim McLean
Chairman
25 November 2020

B. R. Ward

Brian Ward
CEO
25 November 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 30 September 2020

	Notes	Unaudited 30 September 2020 NZ$000	Unaudited 30 September 2019 NZ$000
Revenue	3	9,180	13,165
Cost of sales		(3,145)	(3,057)
Gross profit		**6,035**	**10,108**
Other income		1,869	480
Selling and administrative expenses		(9,930)	(7,031)
Research and development		(2,791)	(2,474)
Other losses	6	(8,015)	-
Operating income/(loss) before net financing costs	4	**(12,832)**	**1,083**
Finance income	5	519	2
Finance expenses	5	(1,118)	(1,812)
Net finance income		**(599)**	**(1,810)**
Loss before income tax		**(13,431)**	**(727)**
Income tax expenses		(62)	(149)
Loss for the period		**(13,493)**	**(876)**
Other comprehensive income			
Items that will or maybe reclassified to profit or loss			
Exchange (losses)/gains arising on translation of foreign operations		(1)	5
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	11	892	-
Total other comprehensive income		**891**	**-**
Total comprehensive loss for the period		**(12,602)**	**(871)**

Total comprehensive loss for the period is attributable to:

Owners of Aroa Biosurgery Limited		**(12,602)**	**(871)**

Earnings per share during the period:

Basic earnings per share (cents)*	10	(11.7)	(31.8)
Diluted earnings per share (cents)*	10	(11.7)	(31.8)

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

** Certain items have been restated in the consolidated statement of profit or loss and other comprehensive income. Refer to Note 16*

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	Unaudited 30 September 2020 NZ$000	Audited 31 March 2020 NZ$000
Current assets			
Cash and cash equivalents		18,683	3,850
Term deposits		20,000	-
Derivative assets		138	1,188
Trade and other receivables		6,118	7,516
Inventories		4,081	4,005
Tax receivable		2	451
Financial assets at fair value through other comprehensive income		1,861	969
Total current assets		**50,883**	**17,979**
Non-current assets			
Property, plant and equipment		6,489	6,559
Other receivable		182	193
Right of use assets	7	6,272	2,175
Intangible assets		18,625	19,057
Total non-current assets		**31,568**	**27,984**
Total assets		**82,451**	**45,963**
Current liabilities			
Trade and other payables*		2,147	4,548
Derivative liabilities		201	386
Employee benefits		1,194	949
Interest-bearing loans and borrowings	8	54	22,523
Lease liabilities	7	480	215
Financial liabilities at fair value through profit or loss	12	-	6,827
Total current liabilities		**4,076**	**35,448**
Non-current liabilities			
Provisions		159	158
Interest-bearing loans and borrowings	8	9,909	1,119
Lease liabilities	7	5,977	1,870
Total non-current liabilities		**16,045**	**3,147**
Total liabilities		**20,121**	**38,595**
Net assets		**62,330**	**7,368**
Equity			
Share capital	13	97,184	29,353
Share based payment reserve	14	684	951
Foreign currency translation reserve		(135)	(134)
Equity investment reserve		1,861	969
Accumulated losses*		(37,264)	(23,771)
Total equity		**62,330**	**7,368**

On behalf of the Board: 25 November 2020

J. N. McLean   B. R. Ward

Jim McLean - Chairman   **Brian Ward –** CEO

The above consolidated statement of financial position should be read in conjunction with the accompanying note

** Certain items have been restated in the consolidated statement of financial position. Refer to Note 16*

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

For the half-year ended 30 September 2020

	Notes	Share capital	Accumulated losses	Foreign currency translation reserve	Equity investment reserve	Share based payment reserve	Total equity
		$000	$000	$000	$000	$000	$000
Balance as at 1 April 2020		**29,353**	**(23,533)**	**(134)**	**969**	**951**	**7,606**
Adjustment to the opening retained earnings*			(238)				(238)
Balance as at 1 April 2020 – Adjusted*			**(23,771)**	**(134)**	**969**	**951**	**7,368**
Comprehensive income							
Losses for the period		-	(13,493)	-	-	-	(13,493)
Other comprehensive income for the period		-	-	(1)	892	-	891
Total comprehensive income for the period		**-**	**(13,493)**	**(1)**	**892**	**-**	**(12,602)**
Transactions with shareholders							
Reclassification of financial liabilities to equity	13	33,832	-	-	-	-	33,832
Shares issued from IPO	13	30,554	-	-	-		30,554
Shares issued from Share & Option Plans	13	3,445	-	-	-	(796)	2,649
Share based payments		**-**	**-**	-	-	529	529
Total transactions with shareholders		**67,831**	**-**	-	-	**(267)**	**67,564**
Balance as at 30 September 2020 unaudited		**97,184**	**(37,264)**	**(135)**	**1,861**	**684**	**62,330**
Balance as at 1 April 2019		**28,889**	**(17,591)**	**-**	**-**	**702**	**12,000**
Comprehensive income							
Losses for the period		-	(876)	-	-	-	(876)
Other comprehensive income for the period		-	5	-	-	-	5
Total comprehensive income for the period		**-**	**(871)**	**-**	**-**	**-**	**(871)**
Transactions with shareholders							
Employee shares exercised		121	-	-	-	(43)	79
Share based payments		-	-	-	-	127	127
Total transactions with shareholders		**121**	**-**	**-**	**-**	**85**	**206**
Balance as at 30 September 2019 unaudited		**29,010**	**(18,462)**	**-**	**-**	**787**	**11,335**

The above consolidated statement of movements in equity should be read in conjunction with the accompanying notes

** Certain items have been restated in the consolidated statement of movements in equity. Refer to Note 16*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 30 September 2020

	Notes	Unaudited 30 September 2020 NZ$000	Unaudited 30 September 2019 NZ$000
Cash flows from operating activities			
Cash receipts from sales revenue		9,930	11,076
Cash receipts from license fees, project fees, and grant income		1,704	3,596
Cash paid to suppliers and employees		(14,071)	(11,706)
Interest received		3	2
Dividends received		-	1
Interest paid		(853)	(57)
Income tax received/(paid)		314	(156)
Net cash inflow/(outflow) from operating activities		**(2,973)**	**2,756**
Cash flows from investing activities			
Purchase of property, plant and equipment		(463)	(303)
Purchase of intangible assets		(172)	(78)
Term deposits		(20,000)	-
Net cash (outflow) from investing activities		**(20,635)**	**(381)**
Cash flows from financing activities			
Proceeds from issue of shares	13	34,829	78
Proceeds from borrowings		265	-
Proceeds from financial liabilities at FVTPL	12	19,804	-
Transaction costs related to capital raising		(4,355)	-
Repayment of borrowings/deferred consideration	8	(12,570)	(5,940)
Lease liability payments		(302)	(243)
Net cash inflow/(outflow) from financing activities		**37,671**	**(6,105)**
Net decrease in cash and cash equivalents		**14,063**	**(3,730)**
Effect of exchange rate fluctuations on cash and cash equivalents		770	696
Cash and cash equivalents at beginning of the period		3,850	4,457
Cash and cash equivalents at end of the period		**18,683**	**1,423**

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 September 2020

1. Basis of preparation

These condensed interim consolidated financial statements of Aroa Biosurgery Limited ("the Company") and its subsidiaries (together "the Group") for the half-year ended 30 September 2020 have been prepared in accordance with the requirements of NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the audited 2020 Annual Report. For the purposes of complying with generally accepted accounting practice in New Zealand, the Group is a for-profit entity.

The condensed interim consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand, unless otherwise stated.

The Group is a leading regenerative medicine company which develops and manufactures medical devices for wound and tissue repair using its proprietary extracellular matrix (ECM) technology.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 2 Kingsford Smith Place, Airport Oaks, Auckland.

Aroa Biosurgery Incorporated is a subsidiary of Aroa Biosurgery Limited and is incorporated and domiciled in the United States. The address of its registered office is 7220 Trade St, Suite 306, San Diego, California 92121.

The condensed interim consolidated financial statements of the Group for the half-year ended 30 September 2020 comprise the Company and its two subsidiaries, Aroa Biosurgery Incorporated and Mesynthes Nominee Limited. All subsidiary entities have a balance date of 31 March.

There is no effect of seasonality or cyclicality of interim operations.

Equity holding	Principal Activity	Place of Business	30 September 2020 %	30 September 2019 %
Aroa Biosurgery Incorporated	Sales & Distribution	US	100	100
Mesynthes Nominee Limited	Nominee Shareholder	NZ	100	100

These unaudited condensed interim financial statements were authorised for issue by the Board of Directors on 25 November 2020.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

2. Significant accounting policies

The Group has applied the same accounting policies and methods of computation in its condensed interim consolidated financial statements as in its 2020 annual financial statements.

Use of estimates and judgements

Significant estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and judgements were made in respect of the value of development expenditure capitalised, the likely term of leased premises, which impacts leasehold improvements assets and right of use assets capitalised, TELA Bio Incorporated ("TELA Bio") accrued revenue, the value of share-based payments, the impairment of intangible assets, the estimated fair value of financial assets at fair value through other comprehensive income, and the estimated fair value of financial liabilities at fair value through profit or loss.

In December 2019, a new virus, COVID-19 was detected in Wuhan, China. The virus was soon common in other countries and on 11 March 2020 the World Health Organization declared that the outbreak should be considered a pandemic.

The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of national borders, the closure of non-essential businesses, the cancellation of public events and the imposition of restrictions on individuals) in an attempt to reduce transmission of the virus.

In late March 2020, the New Zealand Government ordered a four-week lockdown, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. In late April 2020, the lockdown period ended and the New Zealand Government started gradually easing the restrictions that had been placed on businesses, organisations and individuals.

The Group has experienced reduced demand during the first quarter due to the overall reduction in economic activity caused by the COVID-19 pandemic. The pandemic has also impacted a number of financial statement areas, as outlined below.

- Going concern: The Directors have concluded that the Company is a going concern. Refer below.
- Trade receivables: The impairment provision has been reduced since the year-end through pro-active debt management efforts. No material risks are deemed to exist as of the reporting date.
- Inventory: Despite reduced trading levels, management considers that any risks caused by COVID-19 as of reporting date is not material given the average remaining shelf life for inventories on hand being more than 12 months, apart from those already provided for obsolescence.
- Investments: The Group's financial assets include listed equity (refer to Note 11). Management is satisfied that there is no impairment to the value as of reporting date as the quoted price in the active market has not significantly deteriorated post reporting date.
- Intangible assets: The Group measured the recoverable amounts of assets by assessing their fair value less cost of disposal. No impairment, or the indicator of the same, was noted.

During the first quarter, the Group has undertaken the following steps to reduce the impact of COVID-19 on its operations:

- Reduced expenditure in non-critical business areas.
- Taken advantage of wage subsidies and other business support measures made available by the New Zealand and US Governments.

Going concern

The Group posted a net loss before tax of $13,431,000 for the half-year ended 30 September 2020 (unaudited) (H1 FY2020 (unaudited): loss before tax of $727,000). The Group posted total operating cash outflow of $2,973,000 for the half-year ended 30 September 2020 (unaudited) (H1 FY2020 (unaudited): inflow of $2,756,000).

The Directors have continued to apply the going concern assumption as the basis of the preparation of the condensed interim consolidated financial statements.

In reaching their conclusion that the going concern assumption is appropriate, the Directors have considered the ability to achieve financial performance and cash flow forecasts prepared by management, the ability to repay the outstanding deferred consideration to Hollister Incorporated ("Hollister") in accordance with the extended contractual terms, and the sufficiency of the cash on hand as at the reporting date.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

3. Revenue and segment information

	Unaudited 30 September 2020 $000	Unaudited 30 September 2019 $000
Sales of goods (USA)	8,353	9,752
Sales of goods (Rest of world)	649	285
Royalties	-	2,992
Project fees income	178	136
Total revenue	**9,180**	**13,165**

Revenue recognised point in time	9,002	13,029
Revenue recognised over time	178	136
Total revenue	**9,180**	**13,165**

Segment information

Revenues from external customers are from sales of goods, royalties and project fees as noted above.

The Group sells its products to external customers who are largely located in the United States of America ("the USA") as noted above. Sales to the global market outside of the USA continue to grow.

For the purpose of the internal reporting provided to the chief operating decision makers, business activities, performances and any associated assets and liabilities are reviewed as a consolidated group.

Revenues of $3,782,000 (H1 FY2020: $7,312,000) are derived from a single external customer.

The Group held all of its non-current assets in New Zealand with an exception of the right-of-use assets of $184,000 for the leasehold property in the USA as of the reporting date.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

4. Operating income/(loss) before net financing costs

Operating income/(loss) before net financing costs includes the following:		Unaudited 30 September 2020 $000	Unaudited 30 September 2019 $000
Fair value adjustments to financial liabilities at FVTPL	12	8,013	-
Transaction costs		1,369	-
Employee salaries and share-based payments benefits		4,319	3,493
Auditor's fees		134	93
Raw materials and consumables		1,259	1,464
Depreciation:			
Research and development		173	134
Administration and manufacturing		355	335
Directors' fees		183	138
Insurance		326	165
Rental and operating lease costs – low value and short term leases		68	65
Amortisation:			
Patents		25	21
Customer relationships and reacquired rights		581	581
Research and development		2,618	2,340

5. Net finance expenses

Finance income and finance expenses have been accrued to reporting date using the effective interest method.

	Unaudited 30 September 2020 $000	Unaudited 30 September 2019 $000
Finance income – assets at amortised cost		
Interest received on bank balances	32	2
Total finance income	**32**	**2**
Finance expenses – liabilities at amortised cost		
Interest expenses – borrowings	(23)	(42)
Interest expenses – deferred consideration	(890)	(1,383)
Interest expenses – lease liabilities	(205)	(75)
Total finance expenses	**(1,118)**	**(1,500)**
Other finance income/(expenses)		
Foreign currency (losses)/gains	(710)	1,368
Foreign currency gains/(losses) on deferred consideration	1,197	(1,680)
Total other finance income/(expenses)	**487**	**(312)**
Net finance expenses	**(599)**	**(1,810)**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

5. Net finance expenses (continued)

Interest expenses on deferred consideration of $890,061 (H1 FY2020 (unaudited): $1,382,556) relates to the deferred consideration owing to Hollister for the purchase of the Wound Care business.

Foreign currency gains on deferred consideration of $1,197,080 (H1 FY2020 (unaudited): losses of $1,680,280) relates to the deferred consideration owing to Hollister for the purchase of the Wound Care business.

6. Other losses

	Unaudited 30 September 2020 $000	Unaudited 30 September 2019 $000
Fair value adjustments to financial liabilities at FVTPL	(8,013)	-
Finance cost – make good provision	(2)	-
Total other losses	**(8,015)**	**-**

Fair value adjustments to financial liabilities at FVTPL reflects the fair value adjustments of pre-offer shares issued in FY20 and H1 FY21, which were classified as financial liabilities as opposed to equity in accordance with NZ IAS 32 and NZ IFRS 13. The adjustment reflects the change in fair value of the financial liabilities at FVTPL between the issuance date and the final valuation date.

On the final valuation date, being the successful IPO in July 2020, these liabilities were converted to equity. Refer to Note 13.

7. Leases

Right of use assets

	Properties $000	Equipment $000	Total $000
Balance 1 April 2020 – Audited	2,154	21	2,175
Addition	4,431	-	4,431
Depreciation	(431)	(14)	(445)
Rent incentives	(35)	-	(35)
Make good provision	146	-	146
Balance 30 September 2020 - Unaudited	**6,265**	**7**	**6,272**

	Properties $000	Equipment $000	Total $000
Balance 1 April 2019 – Audited	2,411	49	2,460
Addition	285	-	285
Modification adjustment	(244)	1	(243)
Depreciation	(409)	(29)	(438)
Rent incentives	(35)	**-**	(35)
Make good provision	146	**-**	146
Balance 31 March 2020 - Audited	**2,154**	**21**	**2,175**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

7. Lease (continued)

Lease liabilities

	Properties $000	Equipment $000	Total $000
Balance 1 April 2020 – Audited	2,063	22	2,085
Additions	4,431	-	4,431
Interests	199	1	200
Lease payments	(244)	(15)	(259)
Balance 30 September 2020 - Unaudited	**6,449**	**8**	**6,457**
Current	472	8	480
Non-current	5,977	-	5,977

	Properties $000	Equipment $000	Total $000
Balance 1 April 2019 – Audited	2,411	49	2,460
Additions	285	-	285
Modification	(244)	1	(243)
Interests	126	2	128
Lease payments	(515)	(30)	(545)
Balance 31 March 2020 - Audited	**2,063**	**22**	**2,085**
Current	193	22	215
Non-current	1,870	-	1,870

The addition to the right of use assets and lease liabilities during the reporting period relates to the new lease agreement entered into for the new premise to expand manufacturing capacity.

There were no rent forgiveness or rent deferrals outside of the period and no rent payments are overdue as of 30 September 2020. Accordingly, the Company did not apply any practical expedient introduced by the amendments to NZ IFRS 16 to all rent concessions that satisfy the criteria.

8. Interest bearing loans and borrowings

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

8. Interest bearing loans and borrowings (continued)

	Unaudited 30 September 2020 $000	Audited 31 March 2020 $000
Interest-bearing loans and borrowings	54	841
Deferred consideration	-	21,682
Total interest bearing liabilities – current	**54**	**22,523**
Interest-bearing loans and borrowings	-	1,119
Deferred consideration	9,909	-
Total interest bearing liabilities – non-current	**9,909**	**1,119**

On 1 May 2020, the Group renegotiated the terms of its existing borrowing with Hollister. As a result, the final repayment date is now 31 March 2022.

Bank Loan

As at 30 September 2020 (unaudited), the Credit Plus facility from Bank of New Zealand ("BNZ") had a total limit of $1,614,980 (March 2020: $1,761,468), of which $1,614,980 (March 2020: $42,486) was unused and $nil (March 2020: $1,718,982) was used, secured by assets owned by the Group.

The Group has no overdraft facility as at 30 September 2020 (unaudited) (March 2020: $2,000,000).

The Group has no committed cash advance facility as at 30 September 2020 (unaudited) (March 2020: $4,000,000).

9. Related parties

(i) Transactions with related parties

During the reporting period, Series C(3) Preference shares were issued to directors and key management for the value of $21,000 (FY2020: Series C(2) Preference shares were issued to directors and key management for the value of $267,000). Refer to Note 14 for share options issued to key management.

(ii) Subsidiaries

Interests in subsidiaries are set out in note 1.

(iii) Directors and key management compensation

The compensation for key management for the reporting period is $1,362,000 inclusive of the value of all benefits (unaudited) (H1 FY2020 (unaudited): $654,000). Total Directors compensation including fees and share based payment expense are $343,000 for the half-year ended 30 September 2020 (unaudited) (H1 FY2020 (unaudited): $166,000).

(iv) Period end balances

There were no related party receivables and related party payables as at 30 September 2020 (unaudited) (March 2020: nil).

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

10. Earnings per share

Earnings per share has been calculated based on shares and share options issued at the respective measurement dates.

	Unaudited 30 September 2020 000	Restated Unaudited 30 September 2019 000
Numerator		
Loss for the half-year after tax ("N") in $	13,493	876
Denominator		
Weighted average number of ordinary shares used in basic EPS ("D1")	114,915	2,757
Effects of:		
Employee share options	112	176
Preference shares	1,367	2,135
Period end number of shares used in diluted EPS ("D2")	114,915	2,757
	Cents	**Cents**
Basic earnings per share (N/D1 x 100)	(11.7)	(31.8)
Diluted earnings per share (N/D2 x 100)	(11.7)	(31.8)

The weighted average number of ordinary shares as at the reporting date was significantly higher than that as at 30 September 2019 due to the share split at the ratio of 75:1 upon the completion of the IPO in July 2020 (i.e. every existing share was split into 75 new ordinary shares).

11. Financial assets at fair value through other comprehensive income

The Group classifies the following financial assets at fair value through other comprehensive income ("FVTOCI"):

- Equity investments for which the Group has elected to recognise fair value gains or losses through other comprehensive income.

Financial assets measured at FVTOCI include the following:

	Unaudited 30 September 2020 NZ$000	Audited 31 March 2020 NZ$000
US listed equity securities	1,861	969
Total financial assets at FVTOCI	**1,861**	**969**

The US listed equity securities comprise of the Group's investment in TELA Bio. In November 2019, TELA Bio listed on the NASDAQ. The Group held 74,316 shares at a value of US$16.54 per share as at the reporting date which previously had been impaired in 2016.

The fair value of the listed equity securities is based on published market price (level 1 in the fair value hierarchy) and is revalued at reporting date.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

12. Financial liabilities at fair value through profit or loss

The Group issued Series C(3) Preference shares during the reporting period and received $19,804,000 as consideration for the shares issued. Whilst these Preference shares can only convert into share capital, the terms of the offer include multiple embedded derivatives (variable number of shares to be issued and impact of foreign exchange rates) and as a result, these shares do not meet the definition of equity per NZ IAS 32. Management elected that the entire instrument was designated as fair value through profit or loss ("FVTPL"), through the designation exemption as allowed in NZ IFRS 9. With the exception of conversion rights, all other rights attached to these shares are consistent with Series C Preference shares.

At initial recognition, the instrument was measured at transaction price, represented by the fair value of consideration given or received in exchange for the financial instrument. Its transaction costs were immediately recognised in profit or loss as the instrument is carried at FVTPL. The fair value is determined in accordance with NZ IFRS 13 Fair Value Measurement.

The Group does not recognise a gain or loss on initial recognition of the financial liabilities because the fair value is neither evidenced by a quoted price in an active market for an identical liability (i.e. a level 1 input) nor based on a valuation technique that uses only data from observable markets. The difference between the fair value at initial recognition and the transaction price is recognised in profit or loss on a straight-line basis over the estimated life of the liability, with the aggregate difference yet to be recognised in profit or loss being held off the consolidated statement of financial position.

The change between the initial fair value and fair value at reporting date is recognised in profit or loss.

When valuing the instrument, management exercised judgement to estimate the probabilities of different scenarios allowed for in the terms of the offer to determine the period over which the fair value adjustments would be recognised in profit or loss on a straight-line basis.

The opening balance of $6.8 million below relates to Series C(2) Preference shares issued in FY2020.

	Notes	Unaudited 30 September 2020 $000
Opening financial liabilities at FVTPL at 1 April 2020 (audited)		6,827
Transaction price - Series C(3)		19,804
Transaction costs - Series C(3)		(812)
Fair value change during the period		8,013
Reclassification to equity	13	(33,832)
Closing financial liabilities at FVTPL at 30 September 2020 (unaudited)		**-**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

13. Share capital

(i) Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Preference share capital
All preference shares were converted to ordinary shares during the period.

	Notes	Unaudited 30 September 2020 $000	Audited 31 March 2020 $000
Share capital at beginning of the period		29,353	28,889
Reclassification of financial liabilities at FVTPL to equity	12	33,832	-
Shares issued from IPO		30,554	-
Shares issued from Share Plan and Option Plan		3,445	464
Share capital at end of the period		**97,184**	**29,353**

On 24 July 2020, the Group was listed on Australian Securities Exchange ("ASX") and raised net capital of $30,554,000. In addition, Series C(2) and C(3) Preference shares were reclassified from financial liabilities at FVTPL to equity, increasing the share capital by $33,832,000.

	# of Series C preference shares	# of Series B preference shares	# of Series A preference shares	# of ordinary shares	Total shares
At 1 April 2019	257,715	798,088	1,079,610	617,901	2,753,314
Issue of share capital	-	-	-	32,332	32,332
At 31 March 2020	**257,715**	**798,088**	**1,079,610**	**650,233**	**2,785,646**
Issue of share capital	-	-	-	602,407	602,407
Conversion of Series C(2) & C(3) shares	-	-	-	366,474	366,474
Converted to ordinary shares	(257,715)	(798,088)	(1,079,610)	2,135,413	-
Impact of share split	**-**	**-**	**-**	296,320,398	296,320,398
At 30 September 2020	**-**	**-**	**-**	**300,074,925**	**300,074,925**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

14. Share based payments

Aroa Employee Incentive Share Plan (the "Share Plan")

The Group offered selected employees the opportunity to participate in an employee share ownership plan (ESOP) in 2014.

Under the terms of the Share Plan, a liquidity event (including a listing), triggers the right for the Board to make a call on all amounts that remain unpaid on the ordinary shares issued under the Share Plan. In connection with the listing in July 2020, the Board resolved to make the call but at the same time offered employees who held unpaid shares under the Share Plan the opportunity to take out an interest free loan from the Company to pay up their shares. The maximum amount of the loans from the Company was $0.8 million.

The employee loans were held off balance sheet as at the reporting date.

The exercise price and the number of shares referred below represent amount and number prior to the 75:1 share split, which took effect upon the initial public offering.

Summary of shares granted under the Share Plan

	H1 FY21 Average exercise price per share NZ$	H1 FY21 # of shares	FY20 Average exercise price per share NZ$	FY20 # of shares
Opening balance	11.86	100,296	11.83	105,470
Granted during the period	-	-	-	-
Exercised during the period	11.56	(99,188)	11.27	(5,174)
Forfeited during the period	13.15	(1,108)	-	-
Closing balance	**-**	**-**	**11.86**	**100,296**
Vested and exercisable at reporting date		-		100,296

Shares outstanding at the end of the period have the following expiry dates:

Grant date	Expiry date	Shares Unaudited 30 September 2020	Shares Audited 31 March 2020
1 April 2014	31 March 2024	-	48,123
1 October 2014	30 September 2024	-	6,281
1 April 2015	31 March 2025	-	12,450
1 October 2015	30 September 2025	-	20,316
1 April 2016	31 March 2026	-	6,820
1 October 2016	30 September 2026	-	6,306
Total		**-**	**100,296**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

14. Share based payments (continued)

Aroa Biosurgery share option plan (the "Option Plan") – prior to IPO

Under the Option Plan prior to IPO, the Company granted directors, key management and certain employees, options to subscribe for ordinary shares since 2017.

The opening balance of share options and the share options exercised during the period are prior to the 75:1 share split, which took effect upon the initial public offering.

Summary of options granted under the Option Plan – prior to IPO

	H1 FY21 Average exercise price per option NZ$	H1 FY21 # of options	FY20 Average exercise price per option NZ$	FY20 # of options
Opening balance	7.42	131,695	7.34	128,211
Granted during the period	-	-	7.63	40,016
Exercised during the period	7.46	(70,182)	7.34	(32,332)
Impact of share split	-	4,551,962	-	-
Forfeited during the period	-	-	7.34	(4,200)
Closing balance	**0.10**	**4,613,475**	**7.42**	**131,695**
Vested and excisable at reporting date		1,322,850		49,112

Share options outstanding at the end of the year have the following expiry dates:

Grant date	Expiry date	Share options Unaudited 30 September 2020	Share options Audited 31 March 2020
1 October 2018	30 September 2028	2,700,975	91,679
1 July 2019	30 June 2029	472,500	9,450
1 December 2019	30 November 2029	1,440,000	25,064
14 February 2020	13 February 2030	-	5,502
Total		**4,613,475**	**131,695**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

14. Share based payments (continued)

Aroa Biosurgery share option plan (the "Option Plan") – on and after IPO

During the half-year ended 30 September 2020, the Group offered the executive employees and directors new share options upon the listing of the Group in July 2020. Additionally, certain employees received share options on 29 September 2020.

Grants under the Option Plan comprised 8 million share options with various vesting conditions including non-market service conditions, market conditions and non-market performance conditions.

The exercise price and the number of share options referred below represent amounts and numbers post the 75:1 share split, which took effect upon the initial public offering.

Summary of options granted under the Option Plan – on and after IPO

	H1 FY21 Average exercise price per option NZ$	H1 FY21 # of options	FY20 Average exercise price per option NZ$	FY20 # of options
Opening balance	-	-	-	-
Granted during the period – 24 July grant	0.81	6,177,000	-	-
Granted during the period – 29 September grant	1.34	1,873,200		
Closing balance	**0.93**	**8,050,200**	**-**	**-**
Vested and excisable at reporting date		-		-

Share options – on and after IPO outstanding at the end of the year have the following expiry dates:

Grant date	Expiry date	Share options Unaudited 30 September 2020	Share options Audited 31 March 2020
24 July 2020	23 July 2025	6,177,000	-
29 September 2020	28 September 2025	1,873,200	-
Total		**8,050,200**	**-**

Below is a summary of movements in share based payment reserve.

	Unaudited 30 September 2020 $000	Audited 31 March 2020 $000
Opening balance	951	702
Share based payment expense	529	418
Employee shares exercised	(796)	(169)
Closing balance	**684**	**951**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the half-year ended 30 September 2020

15. Events occurring after the reporting date

There have been no significant events subsequent to the reporting date which required disclosure in or adjustment to the condensed interim consolidated financial statements.

16. Restatements

Certain comparative amounts have been adjusted to enhance disclosure as follows:

Consolidated statement of profit or loss and other comprehensive income

	Unaudited 30 September 2019	**Restated 30 September 2019**
Basic earnings per share (cents)	(141.0)	(31.8)
Diluted earnings per share (cents)	(29.9)	(31.8)

The adjustment to the calculation of earnings per share was made to ensure the consistent methodology (i.e. inclusion of preference shares) was applied as in the FY2020 annual financial statements and the condensed interim consolidated financial statements for the half-year ended 30 September 2020.

Consolidated statement of financial position and consolidated statement of movements in equity

	Audited 31 March 2020	Adjustment	Restated 31 March 2020
Trade and other payables	4,310	238	4,548
Accumulated losses	(23,533)	(238)	(23,771)
Total	**(19,223)**		**(19,223)**

The adjustment was made to the opening retained earnings and trade and other payables by $238,000 to reflect certain transaction costs that were incurred in FY20 but not recognised in the same period.

17. Other disclosures

Capital commitment

As at 30 September 2020, the Group had equipment capital commitments of $289,615 (unaudited) (H1 FY2020 (unaudited): $437,764).

Contingent liabilities

As at 30 September 2020, the Group had no material contingent liabilities (unaudited) (H1 FY2020 (unaudited): $Nil).

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE SHAREHOLDERS OF AROA BIOSURGERY LIMITED

Report on the Condensed Interim Consolidated Financial Statements
We have reviewed the accompanying condensed interim consolidated financial statements of Aroa Biosurgery Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of movements in equity and consolidated statement of cash flows for the six month period ended on that date, and condensed notes to the interim financial statements.

Board of Directors' Responsibility
The Board of Directors of the Company is responsible for the preparation and fair presentation of the condensed interim consolidated financial statements in accordance with NZ IAS 34 *Interim Financial Reporting,* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility
Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with NZ IAS 34 *Interim Financial Reporting*. As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed interim consolidated financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Our network firm was the Investigating Accountant in relation to the Company's listing on the ASX. The firm has no other relationship with, or interests in, the Company or any of its subsidiaries.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2020, and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

BDO Auckland

BDO Auckland
25 November 2020
Auckland
New Zealand

CORPORATE DIRECTORY

New Zealand Company Number 1980577
Australian Registered Body Number 638 867 473

Registered office
Aroa Biosurgery Limited
2 Kingsford Smith Place
Mangere, Auckland 2022
New Zealand

Board of Directors
James McLean – Independent Non-executive Chairman
Brian Ward – Managing Director
Steven Engle – Independent Non-executive
Philip McCaw – Non-executive
John R. Pinion – Independent Non-executive
John Diddams – Independent Non-executive

Company Secretary
James Agnew
Tracy Weimer (Co-company Secretary)

Australian registered office
Level 1, 357 Military Road
Mosman NSW 2088
Australia

Share register
Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Australia

Auditor
BDO Auckland
Level 4, BDO Centre
4 Graham St, Auckland 1010
New Zealand

Legal advisers
Chapman Tripp (New Zealand)
Mills Oakley (Australia)

Bankers
Bank of New Zealand (New Zealand)
ASB Bank (New Zealand)
Citibank (USA)

Website
www.aroabio.com