

## 1. Company details

Name of entity:	Avecho Biotechnology Limited
ABN:	32 056 482 403
Reporting period:	For the year ended 31 December 2020
Previous period:	For the year ended 31 December 2019

## 2. Results for announcement to the market

			\$
Revenue from ordinary activities	decreased	90.9% to	384,627
Loss from ordinary activities after tax attributable to the owners of Avecho Biotechnology Limited	increased	410.0% to	(2,634,853)
Loss for the year attributable to the owners of Avecho Biotechnology Limited	increased	410.0% to	(2,634,853)

### Explanation of loss from ordinary activities after tax

Total revenue was decreased by 90.9% for the year to \$384,627 (2019: \$4,238,113), mainly due to prior period revenue including **one-time licence fee** from Ashland for the global exclusive manufacturing rights to Vital ET® and TPM® for use in personal care products.

Total loss for the Consolidated Entity after providing for income tax amounted to \$2,634,853 (2019: profit of \$849,955).

Other income was increased by 66.6% to \$778,476 (2019: \$467,300), attributed to COVID-19 PAYG and payroll tax subsidy of \$120,245 from the Australian Federal and State Government (2019: nil), \$64,072 EMDG grant (2019: nil), and net foreign exchange gain of \$173,058 (2019: 25,421).

Expenses from continuing operations were \$3,654,241 (2019: \$3,640,885), consisting of:

- higher employment costs due to non-cash ESOP expenses of \$530,322 (2019: \$18,684); and
- lower travel costs of \$7,448 (2019: \$116,6464) as a result of COVID-19 travel restrictions.

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.14</u>	<u>0.25</u>

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Name of entities (or group of entities)	Preform Technologies Pty Ltd Adoil Pty Ltd
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Date control lost

26 July 2020

Both companies were non-operating subsidiaries which were deregistered during 2020 financial year.

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## 6. Dividends

### *Current period*

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

### *Previous period*

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

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## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Not applicable.

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## 9. Foreign entities

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

Not applicable.

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## 10. Audit status

The financial statements are currently in the process of being audited by Grant Thornton. The Company expects to receive an unqualified audit opinion.

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## 11. Attachments

### *Details of attachments (if any):*

The preliminary 2020 annual report of Avecho Biotechnology Limited is attached.

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## 12. Signed

Signed \_\_\_\_\_



Dr Greg Collier  
Chairman

Date: 26 February 2021

# **Avecho Biotechnology Limited**

**ABN 32 056 482 403**

## **Preliminary Annual Report - 31 December 2020**

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Directors	Dr Greg Collier (Executive Chairman) Dr Ross Murdoch (Non-Executive Director) Mr David Segal (Non-Executive Director) Mr Matthew McNamara (Non-Executive Director)
Chief Executive Officer	Dr Paul Gavin
Company Secretary	Ms Melanie Leydin
Registered office and Principal place of business	Unit A8, 2A Westall Road Clayton VIC 3168 Australia Telephone: +61 3 9002 5000 Email: <a href="mailto:info@avecho.com.au">info@avecho.com.au</a>
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford VIC 3067 Australia Telephone: +61 3 9415 5000 Fax: +61 3 9473 2500
Auditor	Grant Thornton Audit Pty Ltd Collins Square Tower 5 727 Collins Street Melbourne VIC 3008
Stock exchange listing	Avecho Biotechnology Limited securities are listed on the Australian Securities Exchange. (ASX code: AVE)
Website	<a href="http://www.avecho.com.au">www.avecho.com.au</a>

**Avecho Biotechnology Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2020**



	Note	Consolidated 2020 \$	2019 \$
Revenue from contracts with customers	2	384,627	4,238,113
Cost of sales		(143,715)	(214,573)
<b>Gross profit</b>		<b>240,912</b>	<b>4,023,540</b>
Other income	3	778,476	467,300
Employee and directors benefits expenses	4	(1,718,769)	(1,204,339)
Legal expenses		(19,576)	(72,340)
Research expenses		(187,600)	(166,043)
Consultancy and professional fees		(516,475)	(543,311)
Amortisation and depreciation		(536,629)	(683,457)
Impairment losses		-	(108,324)
Other expenses	5	(668,879)	(851,746)
Impairment of financial assets		(388)	(293)
Finance costs		(5,925)	(11,032)
<b>Profit/(loss) before income tax expense</b>		<b>(2,634,853)</b>	<b>849,955</b>
Income tax expense		-	-
<b>Profit/(loss) after income tax expense for the year attributable to the owners of Avecho Biotechnology Limited</b>		<b>(2,634,853)</b>	<b>849,955</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	4,099
Other comprehensive income for the year, net of tax		-	4,099
<b>Total comprehensive income for the year attributable to the owners of Avecho Biotechnology Limited</b>		<b>(2,634,853)</b>	<b>854,054</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	15	(0.17)	0.05
Diluted earnings per share	15	(0.17)	0.05

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

	Note	Consolidated 2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,872,776	3,210,540
Trade and other receivables	7	479,115	755,432
Inventories	8	100,006	148,764
Other current assets		238,704	163,412
Total current assets		<u>2,690,601</u>	<u>4,278,148</u>
<b>Non-current assets</b>			
Plant and equipment		67,912	93,710
Right-of-use assets		165,076	86,218
Intangibles	9	431,000	857,000
Total non-current assets		<u>663,988</u>	<u>1,036,928</u>
<b>Total assets</b>		<u>3,354,589</u>	<u>5,315,076</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	241,192	188,061
Lease liabilities		73,031	89,493
Provisions	11	289,358	267,275
Total current liabilities		<u>603,581</u>	<u>544,829</u>
<b>Non-current liabilities</b>			
Lease liabilities		93,200	7,696
Provisions		3,388	3,600
Total non-current liabilities		<u>96,588</u>	<u>11,296</u>
<b>Total liabilities</b>		<u>700,169</u>	<u>556,125</u>
<b>Net assets</b>		<u>2,654,420</u>	<u>4,758,951</u>
<b>Equity</b>			
Issued capital	12	232,778,295	232,632,424
Reserves	13	28,537,271	28,152,820
Accumulated losses		<u>(258,661,146)</u>	<u>(256,026,293)</u>
<b>Total equity</b>		<u>2,654,420</u>	<u>4,758,951</u>

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

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2019	232,632,424	30,415,923	(259,162,134)	3,886,213
Profit after income tax expense for the year	-	-	849,955	849,955
Other comprehensive income for the year, net of tax	-	4,099	-	4,099
Total comprehensive income for the year	-	4,099	849,955	854,054
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	18,684	-	18,684
Transfer	-	(2,285,886)	2,285,886	-
Balance at 31 December 2019	<u>232,632,424</u>	<u>28,152,820</u>	<u>(256,026,293)</u>	<u>4,758,951</u>
	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>Consolidated</b>				
Balance at 1 January 2020	232,632,424	28,152,820	(256,026,293)	4,758,951
Loss after income tax expense for the year	-	-	(2,634,853)	(2,634,853)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,634,853)	(2,634,853)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	384,451	-	384,451
Issue of share as sign-on bonus	120,000	-	-	120,000
Issue of shares as part of short term incentive plan	25,871	-	-	25,871
Balance at 31 December 2020	<u>232,778,295</u>	<u>28,537,271</u>	<u>(258,661,146)</u>	<u>2,654,420</u>

	Note	Consolidated	
		2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		390,032	4,503,030
Receipt of recoveries		-	87,500
Receipt of government grants and subsidy		779,596	-
Other receipts		65,750	-
Payments to suppliers and employees (inclusive of GST)		(2,653,413)	(3,405,550)
Finance costs paid		(5,925)	(7,230)
Net cash from/(used in) operating activities	14	<u>(1,423,960)</u>	<u>1,177,750</u>
<b>Cash flows from investing activities</b>			
Interest received		793	11,058
Payments for plant and equipment		(5,150)	-
Net cash from/(used in) investing activities		<u>(4,357)</u>	<u>11,058</u>
<b>Cash flows from financing activities</b>			
Payment of principal element of lease liabilities		(82,503)	(89,439)
Net cash used in financing activities		<u>(82,503)</u>	<u>(89,439)</u>
Net increase/(decrease) in cash and cash equivalents		(1,510,820)	1,099,369
Cash and cash equivalents at the beginning of the financial year		3,210,540	2,111,171
Effects of exchange rate changes on cash and cash equivalents		173,056	-
Cash and cash equivalents at the end of the financial year	6	<u><u>1,872,776</u></u>	<u><u>3,210,540</u></u>

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

## Note 1. Significant accounting policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by Avecho Biotechnology Limited during the reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Avecho Biotechnology Limited is a for-profit entity for the purposes of preparing the financial statements.

#### *i) Compliance with IFRS*

The consolidated financial statements of the Avecho Biotechnology Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *ii) Historical cost convention*

These financial statements have been prepared on a historical cost basis except for financial instruments and intangible assets, which have been measured at fair value.

## Note 2. Revenue from contracts with customers

	Consolidated	
	2020	2019
	\$	\$
<b>From continuing operations</b>		
Sale of goods and services	365,235	633,095
Royalties and licences fees	19,392	3,605,018
Total revenue from contracts with customers	<u>384,627</u>	<u>4,238,113</u>

**Note 2. Revenue from contracts with customers (continued)**

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Major product lines</i>		
Production	365,235	4,204,523
Human Health	19,392	33,590
	<u>384,627</u>	<u>4,238,113</u>
<i>Geographical regions</i>		
Australia	4,100	26,296
Switzerland	323,885	533,794
United States	-	3,571,429
India	56,642	106,594
	<u>384,627</u>	<u>4,238,113</u>
<i>Timing of revenue recognition</i>		
Sale of goods and services transferred at a point in time	365,235	633,095
Licence fees recognised at a point in time	-	3,571,429
Royalties and licence fees recognised over time	19,392	33,589
	<u>384,627</u>	<u>4,238,113</u>

**Note 3. Other income**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange gain	173,058	25,421
Income from government grants	544,626	346,008
Interest income	792	8,371
Legal cost refund	-	87,500
Project income	57,500	-
Other	2,500	-
	<u>778,476</u>	<u>467,300</u>
Other income		

**Note 4. Employee and directors benefits expenses**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Director fees	295,718	237,543
Research and development employee expenses	527,544	389,333
Redundancy costs	-	12,673
ESOP expenses	530,322	18,684
Other employee expenses	365,185	546,106
	<u>1,718,769</u>	<u>1,204,339</u>

**Note 5. Other expenses**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Travel	7,448	116,664
Insurance	154,738	201,057
Shareholder and listing expenses	88,919	88,048
Patent portfolio expenses	297,309	345,274
Occupancy expenses	67,945	89,105
Other	52,520	11,598
	<u>668,879</u>	<u>851,746</u>

**Note 6. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	1,787,046	3,124,810
Short term deposit	85,730	85,730
	<u>1,872,776</u>	<u>3,210,540</u>

**Note 7. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	37,189	151,990
Less: Allowance for expected credit losses	-	(109,398)
	<u>37,189</u>	<u>42,592</u>
R&D tax incentive credit receivable	418,830	674,045
Other receivables	23,096	38,795
	<u>441,926</u>	<u>712,840</u>
	<u>479,115</u>	<u>755,432</u>

**Note 7. Current assets - trade and other receivables (continued)**

*Allowance for expected credit losses*

An allowance for expected credit loss is recognised when there is objective evidence that the group may not be able to collect all the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectable. Debts totalling \$109,398 were deemed impaired at 31 December 2019, which had been derecognised in 2020 financial year. Debts totalling \$388 were written off in 2020 financial year (2019: \$293).

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$
0 to 3 months overdue	-	-	37,189	42,562	-	-
Over 6 months overdue	-	100%	-	109,398	-	109,398
R&D tax incentive credit receivable	-	-	418,830	674,075	-	-
Other receivables	-	-	23,096	38,795	-	-
			<u>479,115</u>	<u>864,830</u>	<u>-</u>	<u>109,398</u>

**Note 8. Current assets - inventories**

	Consolidated	
	2020	2019
	\$	\$
Raw materials (at cost)	68,713	14,946
Finished goods (at cost)	31,293	133,818
	<u>100,006</u>	<u>148,764</u>

**Note 9. Non-current assets - intangibles**

	Consolidated	
	2020	2019
	\$	\$
Intellectual property	121,362,000	121,362,000
Less: Accumulated amortisation and impairment	(120,931,000)	(120,505,000)
	<u>431,000</u>	<u>857,000</u>

### Note 9. Non-current assets - intangibles (continued)

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Intellectual property \$	Total \$
Balance at 1 January 2019	1,395,000	1,395,000
Amortisation expense	<u>(538,000)</u>	<u>(538,000)</u>
Balance at 31 December 2019	857,000	857,000
Amortisation expense	<u>(426,000)</u>	<u>(426,000)</u>
Balance at 31 December 2020	<u><u>431,000</u></u>	<u><u>431,000</u></u>

### Impairment testing

#### Intellectual Property

Intellectual property asset cost represents the fair value of nine patents acquired by the Company at 31 December 2004, less accumulated amortisation and adjusted for any accumulated impairment loss. Intellectual property is amortised over its useful life, being the patent life of between 15 -19 years at acquisition (to between 2020 and 2023), and tested for indicators of impairment at each reporting date. In 2010 one of the purchased patents was abandoned.

The carrying value of the acquired patents is dependent on the continued sales of Vital ET® and the commercialisation of TPM®/Oxycodone prior to the expiry of the patents. Revenue assumptions related to this have been assessed for delays in revenue receipts, with delays of one year not materially impacting the value of the assets.

### Note 10. Current liabilities - trade and other payables

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Trade payables	110,313	96,576
Accrued expenses	57,500	58,700
Other payables	<u>73,379</u>	<u>32,785</u>
	<u><u>241,192</u></u>	<u><u>188,061</u></u>

### Note 11. Current liabilities - provisions

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Annual leave	83,617	74,125
Long service leave	<u>205,741</u>	<u>193,150</u>
	<u><u>289,358</u></u>	<u><u>267,275</u></u>

**Note 12. Equity - issued capital**

	<b>2020</b>	<b>Consolidated</b>		
	<b>Shares</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>1,598,894,680</u>	<u>1,577,457,420</u>	<u>232,778,295</u>	<u>232,632,424</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 January 2019	<u>1,577,457,420</u>		<u>232,632,424</u>
Balance	31 December 2019	1,577,457,420		232,632,424
Issue of shares to key management personnel as sign-on bonus	27 April 2020	20,000,000	\$0.006	120,000
Issue of shares as part of short term incentive	23 December 2020	<u>1,437,260</u>	\$0.018	<u>25,871</u>
Balance	31 December 2020	<u>1,598,894,680</u>		<u>232,778,295</u>

**Note 13. Equity - reserves**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Business combination reserve	27,812,871	27,812,871
Other equity-settled benefits	305,323	305,323
Foreign currency reserve	24,626	24,626
Employee equity-settled benefits reserve	<u>394,451</u>	<u>10,000</u>
	<u>28,537,271</u>	<u>28,152,820</u>

**Note 14. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax expense for the year	(2,634,853)	849,955
Adjustments for:		
Depreciation and amortisation	536,629	683,457
Share-based payments	530,322	18,684
Foreign exchange differences	(185,973)	6,771
Interest received	(793)	(11,058)
Interest expense	5,925	11,035
Impairment losses	-	108,324
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	276,316	(78,403)
Decrease/(increase) in inventories	48,758	(48,914)
(Increase)/decrease in other current assets	(75,292)	87,479
Increase/(decrease) in trade and other payables	53,131	(390,375)
(Decrease)/Increase in provisions	21,870	(59,205)
Net cash from/(used in) operating activities	<u>(1,423,960)</u>	<u>1,177,750</u>

**Note 15. Earnings per share**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax attributable to the owners of Avecho Biotechnology Limited	<u>(2,634,853)</u>	<u>849,955</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,591,077,963</u>	<u>1,577,457,420</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,591,077,963</u>	<u>1,577,457,420</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.17)	0.05
Diluted earnings per share	(0.17)	0.05