Living Cell Technologies Ltd
PO Box 3014, Auburn VIC 3123
ABN: 14 104 028 042

Preliminary Final Report for the year ended 30 June 2007

ASX Announcement –31 August 2007

In accordance with Listing Rule 4.3A, attached is the Preliminary Final report (Appendix 4E) on the results of Living Cell Technologies Limited (ASX:LCT) for the year ended 30 June 2007.

LCT has achieved significant milestones during the financial year, bringing the Company into clinical trials and a clear pathway towards commercialising its cell therapy products.

In the past twelve months, LCT has focused its attention on finalising regulatory applications and starting human clinical trials for its lead Type 1 diabetes product, DiabeCell. The company has also successfully obtained international accreditation and auditing of its cell manufacturing and diagnostic facilities, to enable manufacture of live cell therapeutics for human medicinal use.

Financial Results

The net loss for the financial year to 30 June 2007 was $5,987,322 compared to $6,819,611 in the prior year, a 12.2% reduction in the annual loss. The net operating cash flows for the Company during the year to 30 June 2007 reduced by 16.3%, down to $5,536,560, compared to $6,610,850 last financial year. Over the past financial year the cash balance decreased to $2,449,768 down from $2,956,379 last year, a net decrease of 17.1% during the 12 month period. Cash from shares issued generated $5,705,308 over the year, before transaction costs of $518,075 as a result of three placements through the year and a Share Purchase Plan, up 5.1% on the $5,427,485 raised in the previous year.

Revenue for the year was $944,784 an increase of $652,737 or 223% on the $292,047 reported last year. This increase was predominantly from increased government grants received which were $828,862 for during the financial year, compared to $186,962 last year, up 343%.

The Operations Report is contained within the Preliminary Final Report which has been filed with the Appendix 4E and this provides further details regarding the progress made by the Company over the period.

Key Milestones Achieved

The 2007 financial year has seen a number of very important milestones behind the Company, of which the most significant were achieving –

- The world's first GMP certified manufacture of encapsulated pig pancreatic islets under current regulations;
- First approval for diabetes xeno human clinical program by international regulatory review;
- The only internationally accredited laboratory for testing and screening for pig cell transplant recipients;
- Launch of LCT's diabetes clinical program, with trials to be held in two jurisdictions (one trial underway);
- A major diabetes patent granted in the US and across the EU;
- Reported 10-year survival and function of pig cell transplant in a human diabetic in international journal;
- Dr Paul Tan appointed as Chief Executive Officer; and
- Closing of a successful share purchase plan and placement of $5.1 million

Further information: www.lctglobal.com	
Richard Justice Chief Financial Officer Mob: +64 21 223 4741	Paul Tan CEO Mob: +61 402 716 984

ATTACHMENT 1
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

Name of Entity	Living Cell Technologies Limited
ACN	104 028 042
Financial Year Ended	30 June 2007
Previous Corresponding Reporting Period	30 June 2006

Results for Announcement to the Market

	$	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	944,784	223.5
Profit/(loss) from ordinary activities after tax attributable to members	(5,987,322)	(12.2)
Net profit / (loss) for the period attributable to members	(5,987,322)	(12.2)

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	–
Previous corresponding period	Nil	–

ATTACHMENT 1
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Record date for determining entitlements to the dividends (if any)	n/a

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to ASX release.

Dividends

Date the dividend is payable	n/a
Record date to determine entitlement to the dividend	n/a
Amount per security	n/a
Total dividend	n/a
Amount per security of foreign sourced dividend or distribution	n/a
Details of any dividend reinvestment plans in operation	n/a
The last date for receipt of an election notice for participation in any dividend reinvestment plans	n/a

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security at market value of investments	0.9 cents per share	1.5 cents per share

ATTACHMENT 1
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

ATTACHMENT 1
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: n/a
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: n/a

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Annual Financial Report for the Year ended 30 June 2007

Signed By (Director/Company	

ATTACHMENT 1
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Secretary)	
Print Name	
Date	

Living Cell Technologies Limited

Consolidated Financial Statements

For the Year Ended 30 June 2007

Living Cell Technologies Limited

For the Year Ended 30 June 2007

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Living Cell Technologies Limited

Directors' Report

For the Year Ended 30 June 2007

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2007.

1. General information

a Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Appointed/Resigned
Michael Yates	Resigned 25 August 2006
Simon O'Loughlin	
Charles Macek	Resigned 24 August 2007
David Collinson	
Robert Elliott	
Alfred Vasconcellos	Resigned 27 June 2007
Laurie Hunter	Appointed 25 August 2006
Paul Tan	Appointed 23 February 2007
David Brookes	Appointed 23 August 2007

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

b Company Secretary

The following person held the position of company secretary at the end of the year:

Nick Geddes FCA, FCIS

Nick is the principal of Australian Company Secretaries, a company secretarial practice, which he formed in 1993. He is a member of the National Council of Chartered Secretaries Australia and Chairman of the NSW Branch of that Institute, with previous experience as a Chartered Accountant and Company Secretary, including investment banking and development and venture capital in Europe, Africa the Middle East and Asia.

Directors' Report

For the Year Ended 30 June 2007

2. Director Information

a Information on Directors

Simon O'Loughlin	Independent Director (Chairman since 25 August 2006) BA Acc. Age : 50 Simon O'Loughlin is a legal practitioner with over 25 years experience as a corporate and commercial solicitor. He has had extensive involvement in the corporate world, especially in relation to the formation, structuring and listing of small to medium sized companies. Simon is a director of Aura Energy Ltd, Petratherm Ltd, WCP Diversified Investments Ltd, Bondi Mining Ltd and Chesser Resources Ltd. In recent times he has been a director of Gowit Ltd (now Agincourt Resources Ltd). Simon is a past President of the Save the Children Fund (SA Division) and a past Chairman of Taxation Institute of Australia (SA Division). Simon's knowledge of Australian Corporate Law and ASX listing rules is critical for his role on the board and its committees.
Robert Elliott	Medical Director MBBS, MD, FRACP Age: 73 Professor Elliott trained as a Paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Department of Paediatrics at the University of Auckland. Professor Elliott co-founded LCT. He is an Emeritus Professor of Child Health research, Professor of Paediatrics and a world leader in diabetes and autoimmune related research. Professor Elliott is on the board of the New Zealand Child Health Foundation and the Wings Trust (a NZ trust for the treatment of alcohol and substance abuse). He is also patron of the NZ Cystic Fibrosis Foundation. In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community.

David Collinson	Executive Director Age : 58 David Collinson is a New Zealand company director who, with Professor Robert Elliott, founded LCT's research and development activity in 1987 when his son became diabetic at the age of two. David has contributed a substantial amount of private capital to the establishment of LCT and has been instrumental in raising further funding for the development and growth of LCT. He has been the driving force behind the international development of the company and was CEO until he stepped down for health reasons on 24 January 2007. David is a director of J Collinson Ltd and is also a director of several new biotechnology companies in the food and health sector. He also founded the New Zealand Textile Importers Institute.
Laurie Hunter	Independent Director (Appointed: 25 August 2006) MA (Hons) Age : 59 Laurie has over 35 years experience as a stockbroker, investment banker and corporate investor in London, Paris and San Francisco. Laurie was a Member of The Stock Exchange, London, a partner at L.Messel & Co, London, a director of Shearson Lehman Hutton and founder of Hunter Capital. His recent focus has been on investing in and providing strategic advice to developing companies.

Paul Tan	Executive Director (Appointed 27 June 2007), LCT Group CEO
	MB.BS, FRACP
	Age 59

Dr Paul Tan was appointed as Chief Executive Officer of Living Cell Technologies on 24 January, 2007, having previously been Managing Director of LCT's New Zealand operations since joining the company in 2004. Previously Paul was Chief Executive Officer of CenTec Ltd and founding Deputy Director and Head of Health Division at Genesis Research & Development Corporation Limited.

He has had wide experience on all aspects of assessment and selection of products for commercialization, expansion of intellectual property, product development and managing critical paths, timelines and establishing and managing international partnerships.

Paul has been research fellow, associate professor in immunology and a physician rheumatologist and worked in Canada, Australia, Singapore and New Zealand. He holds patents relating to the therapeutic uses of microbial products and is also a member of the Management Committee of the Auckland branch of NZBio, and sits on the Ministry of Health Interim Expert Committee for Xenotransplantation.

David Brookes	Non Executive Director (Appointed 23 August 2007)
Qualifications	MB.BS, FACRRM
	Age: 47

Dr Brookes has received a Bachelor of Medicine and Bachelor of Surgery at Adelaide University and is a Fellow of the Australian College of Rural and Remote Medicine.

He currently works as a general medical practitioner and has extensive experience in rural Australia, especially in paediatric and procedural practice.

His involvement in the biotechnology sector started in the mid 1990’s, as an analyst for broking firm Taylor Collison Ltd.

He is also currently Chairman of Innovance Ltd (listed on the Newcastle stock exchange).

b Meetings of Directors

During the financial year, 16 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Eligible to attend	Number attended
Michael Yates	1	-
Simon O'Loughlin	16	16
Robert Elliott	16	13
David Collinson	16	15
Alfred Vasconcellos	16	15
Charles Macek	16	12
Laurie Hunter	15	14
Paul Tan	6	5
David Brookes	-	-

3. Business review

a Principal activities

The principal activity of the Group during the financial year was:

- the clinical development of cell based therapeutics for the treatment of diabetes and pre-clinical research and development into neurological disorders.

There have been no significant changes in the nature of the Group's principal activity during the financial year.

b Corporate structure

The companies within the economic entity make up a vertically integrated cell therapy business operating globally, through offices in Australia (Country of Incorporation), with fully owned subsidiaries in New Zealand and the United States. The economic entity is a public listed company (ASX : "LCT") incorporated and domiciled in Australia, with Paul Tan as Group CEO.

The economic entity has two main operating divisions:

The research, production and clinical division is located in Auckland, New Zealand. The facility includes GMP manufacturing and IANZ accredited diagnostic laboratories, as well as separate disease-free pig facilities. The facility is headed by CEO, Dr Paul Tan who has extensive international experience in operating facilities, conducting clinical studies and managing intellectual property portfolios.

Corporate affairs are managed between Auckland for financial control and reporting (under the management of Richard Justice, an experienced CFO with public company experience for companies listed in New Zealand, Canada and the United States), Sydney for company secretarial matters and

3. Business review continued

b Corporate structure continued

corporate governance (with Nick Geddes as Company Secretary) and the Melbourne based office (managed by LCT Australia's General Manager Paris Brooke) focusing on investor and corporate relations.

A fully owned subsidiary located in the United States, LCT BioPharma Inc, closed its operational facilities, with research activities being returned to the Auckland unit. Encapsulation studies are maintained at Brown University in Rhode Island, through a contract with a former employee, Chris Thanos, who had been Director of Research for LCT BioPharma.

c Employees

As at 30 June 2007 the Group employed 39 staff. (2006: 45).

d Review of operations

As a xeno cell therapy company, LCT focuses on developing treatments for implanting healthy living cells to replace or repair disease or damaged organs, for a range of life-threatening diseases. LCT's products do not require the use of immunosuppression to prevent rejection, due to the proprietary coating technology used with the cells (bio-encapsulation technology).

The core business of Living Cell Technologies Ltd ('LCT') focuses on a treatment for Type 1 diabetes to regulate blood glucose levels and avoid long term complications created by the disease. In addition, the company owns specialised pig breeding facilities that enable the use of pig cells and tissues for human medicinal purposes. The Company is also developing a suite of products for neurological and liver disorders, which are at various stages of pre-clinical development and discovery.

The Company has developed a good-manufacturing-practice (GMP) manufacturing unit for the production of cell based therapeutics, as well as an internationally accredited diagnostic laboratory for monitoring of potential viruses. This integrated infrastructure enables the Company to manufacture and supply cell based products directly to the market upon commercialisation.

LCT's competitive advantages in the field of transplantation of living cells for the controlled, long-term delivery of therapeutic proteins include:

- a fully-owned specialised source of cells from a designated pathogen free pig herd, which have been internationally and independently reviewed;
- a GMP cell processing and manufacturing unit to enable the production of human medicines;
- international IANZ accredited diagnostic facilities for monitoring of transplant recipients;
- proprietary encapsulation technology to enable transplants without rejection; and
- a strong international intellectual property position.

In addition, LCT is the only company world-wide to have met the necessary capabilities and current criteria for human clinical trials of a xenotransplant product.

3. Business review continued

d Review of operations continued

During the financial year ended 30 June 2007 LCT completed and announced regulatory approval for two human clinical trials for its Type I diabetes product, DiabeCell. The Company has expended its funds primarily in finalising requirements to enter clinical trials for its lead product.

It is the view of the Board of Directors that the company is now posed to make significant progress towards commercialisation of its DiabeCell product, through the initiation of clinical trials and achieving the necessary regulatory capabilities for manufacturing of the product.

e Operating Results

The consolidated loss of the Group amounted to $5,987,322. (2006: Loss of $6,819,611).

4. Financial Review

a Financial Position

The net assets of the Group have decreased by $394,730 from $1,796,058 to $1,401,328 in 2007. The decrease has largely resulted from the following factors:

- Share Capital increasing by $5,187,233 from $24,685,152 to $29,872,385
- Whereas the result for the year was a loss of $5,987,322.

b Cash from Operations

Net cash outflow from operating activities moved from $6,610,850 in the previous period to $5,536,559, a change of (16)% reflecting the close scrutiny and control over operational overheads within the Group.

c Liquidity and Funding

As at 30 June 2007 the Group had $2,449,768 cash in the bank, compared to $2,956,379 as at the previous year end, which based on historical levels of operational cash flow requirements would allow the Group to fund current operations for approximately 5 months, which is consistent with the position at the previous year end. There is on-going activity to secure additional investment funding which will be raised at appropriate times to support future growth and development of the business.

5. Remuneration Report

This report details the nature and amount of remuneration for each director of Living Cell Technologies Limited, and for the executives receiving the highest remuneration.

a Remuneration policy

The remuneration policy of Living Cell Technologies Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Living Cell Technologies Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount or remuneration for the board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), plus where appropriate superannuation, fringe benefits, options and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the Group’s performance, executive performance and comparable information from industry sectors.

The policy is designed to attract the highest caliber of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The Australian based executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that

5. Remuneration Report continued

a Remuneration policy continued

can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

b Key Management Personnel

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management	Position
Directors	
David Collinson	CEO (resigned 24 January 2007)
Bob Elliott	Medical Director
Al Vasconcellos	CEO LCT BioPharma (until 31 January 2007)
Paul Tan	CEO (appointed 24 January 2007)
Specificed Executives	
Richard Justice	Chief Financial Officer
Dwaine Emerich	VP of Research & Chief Scientific Officer (until 31 January 2007)
Paris Brooke	General Manager, LCT Australia
Chris Thanos	Director of Research LCT BioPharma (until 31 January 2007)

c Remuneration of Directors & Specified Executives

The remuneration for each director and each of the four executive officers of the Group receiving the highest remuneration during the year was as follows:

2007	Short-term benefits			Post employment benefits	Other long-term benefits	Total
	Cash, salary & commissions	Cash Bonus	Non-cash Benefits	Super-annuation	Options	
	$	$	$	$	$	$
Directors						
Michael Yates	10,000	-	-	-	-	10,000
Simon O'Loughlin	-	-	-	75,000	16,162	91,162
Robert Elliott	183,014	-	-	-	23,100	206,114
Paul Tan	214,960	-	-	-	3,633	218,593
David Collinson	177,556	-	-	-	23,100	200,656
Al Vasconcellos	368,436	-	-	-	-	368,436
Laurie Hunter	30,855	-	-	-	8,081	38,936
Charles Macek	-	-	-	50,000	23,685	73,685

5. Remuneration Report continued

c Remuneration of Directors & Specified Executives continued

Specified Executives						
Richard Justice	**210,000**	**-**	**-**	**-**	**18,577**	**228,577**
Paris Brooke	**110,000**	**-**	**-**	**9,900**	**7,060**	**126,960**
Dwaine Emerich	**214,154**	**-**	**-**	**-**	**5,554**	**219,708**
Chris Thanos	**96,968**	**-**	**-**	**-**	**3,332**	**100,300**
	1,615,943	**-**	**-**	**134,900**	**132,284**	**1,883,127**

2006

	Short-term benefits			Post employment benefits	Equity	Total
	Cash, salary & commissions	Cash Bonus	Non-cash Benefits	Super-annuation	Options	
	$	$	$	$	$	$
Directors						
Michael Yates	112,500	-	-	-	58,582	171,082
Simon O'Loughlin	42,368	-	-	3,561	19,527	65,456
Roger Coats	32,047	-	-	2,632	-	34,679
David Collinson	196,822	-	-	-	-	196,822
Al Vasconcellos	356,035	-	-	-	68,345	424,380
Robert Elliott	187,258	-	-	-	-	187,258
Charles Macek	12,500	-	-	-	-	12,500
Specified Executives						
Richard Justice	233,368	-	-	-	22,978	256,346
Paul Tan	206,018	-	-	-	39,054	245,072
Paris Brooke	110,000	-	-	9,900	-	119,900
Dwaine Emerich	233,366	-	-	-	750	234,116
Chris Thanos	142,424	-	-	-	1,250	143,674
	1,864,706	-	-	16,093	210,486	2,091,285

5. Remuneration Report continued

d Options issued as part of remuneration for the year ended 30 June 2007

Options are issued to the directors and specified executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the directors and senior executives of Living Cell Technologies Limited and it's subsidiaries to increase goal congruence between executives, directors and shareholders.

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Terms & Conditions for Each Grant Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
Simon O'Loughlin	-	300,000	1 June 2007	0.20	-	25 August 2007	1 June 2012
Simon O'Loughlin	-	500,000	1 June 2007	0.30	-	25 August 2007	1 June 2012
Paul Tan	-	500,000	1 June 2007	0.20	-	23 February 2008	1 June 2012
David Collinson	350,000	350,000	24 November 2006	0.30	-	9 March 2007	9 March 2009
Robert Elliott	350,000	350,000	24 November 2006	0.30	-	9 March 2007	9 March 2009
Laurie Hunter	-	150,000	1 June 2007	0.20	-	25 August 2007	1 June 2012
Laurie Hunter	-	250,000	1 June 2007	0.30	-	25 August 2007	1 June 2012
Charles Macek	150,000	150,000	1 June 2007	0.20	-	16 March 2007	1 June 2012
Charles Macek	250,000	250,000	1 June 2007	0.30	-	16 March 2007	1 June 2012
Specified Executives							
Richard Justice	-	300,000	25 May 2007	0.20	-	25 May 2008	25 May 2012
Richard Justice	-	500,000	25 May 2007	0.30	-	25 May 2008	25 May 2012
Paris Brooke	100,000	100,000	25 May 2007	0.20	-	25 May 2007	20 March 2010
Paris Brooke	-	150,000	25 May 2007	0.20	-	25 May 2008	25 May 2012
Total	**1,200,000**	**3,850,000**					

All options usually vest within one year to two years of grant date and expire within three to four years of vesting. Options granted have not been subject to performance conditions and are part of remuneration packages. Options may be granted to key management personnel with more than one year's full-time service.

Exercise prices have been structured at levels greater than the market price at date of the grant.

5. Remuneration Report continued

d Options issued as part of remuneration for the year ended continued

Options exercised during the year that were granted as compensation in prior periods:

	No of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
	$	$	$
Directors			
Robert Elliott	100,000	-	-
Total Shares Issued	**100,000**		

Remuneration value of options granted during the year and proportion of total remuneration:

	Options Granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed
	$	%	$	($)
Directors				
Simon O'Loughlin	16,162	17	-	-
Robert Elliott	23,100	11	21,000	-
David Collinson	23,100	12	-	-
Charles Macek	23,685	32	-	-
Laurie Hunter	8,081	21	-	-
Paul Tan	3,633	2	-	-
	97,761	-	21,000	-
Specified Executives				
Richard Justice	18,577	8	-	-
Paris Brooke	7,060	6	-	-
Dwaine Emerich	5,554	3	-	-
Chris Thanos	3,332	3	-	-
	34,523	-	-	-

5. Remuneration Report continued

e Employment contracts of directors and senior executives

The employment conditions of the chief executive officer, Paul Tan, the executive directors and specified executives are formalised in contracts of employment as permanent employees of Living Cell Technologies Limited.

The employment contracts stipulate a range of one to three month resignation periods. The company may terminate an employment contract without cause by providing written notice in accordance with the terms in the employment agreements, or making payment in lieu of notice, based on the individual's annual salary component, together with a redundancy payment based on the individual's fixed salary component and length of service. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

6. Options

a Unissued shares under option

At the date of this report, the unissued ordinary shares of Living Cell Technologies Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
1 September 2003	30 June 2008	0.22	873,250
15 January2004	30 June 2010	0.21	695,000
25 March 2004	30 June 2010	0.21	200,000
30 August 2004	30 June 2010	0.21	11,471,150
28 October 2004	15 November 2008	0.30	1,625,000
3 November 2004	30 June 2008	0.22	1,000,000
6 July 2005	14 November 2011	0.24	175,000
16 March 2006	9 March 2009	0.30	150,000
16 March 2006	16 March 2011	0.23	210,000
24 November 2006	12 December 2011	0.22	2,000,264
23 April 2007	1 February 2010	0.25	3,000,000
1 June 2007	1 June 2012	0.30	3,150,000
			24,549,664

6. Options continued

b Options exercised during the year

During the year ended 30 June 2007, the following ordinary shares of Living Cell Technologies Limited were issued on the exercise of options. No further shares have been issued since that date. No amounts are unpaid on any of these shares.

Grant Date	Exercise Price	Number of Shares Issued
30 August 2004	0.21	100,000
		100,000

7. Other items

a Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

(i) On 8 August 2006 the company issued 4.7 millions shares, which raised $701,000, through a placement of ordinary shares to existing shareholders.

(ii) On 18 January 2007 the company issued 4.8 million shares, which raised $852,000, through a placement of ordinary shares to existing shareholders.

(iii) On 20 February 2007 consequent to the company's Share Purchase Plan with existing shareholders, 11.2 million shares were issued, raising $1,962,000.

(iv) On 8 March 2007 the company issued 13.3 million shares, which raised $2,336,000 through a placement of ordinary shares to existing shareholders.

b After Balance Date Events

On 5 July 2007 it was announced that the company had been awarded an Enterprise Develoment Grant of NZD$100,000 from New Zealand Trade & Enterprise to assist with international market development opportunities.

The company announced on 18 July 2007 that a Level 1 American Depositary Receipts program ("ADR") with the Bank of New York had gone effective, enabling the company to capitalize on a growing US investor interest. This program will enable US based investors to purchase LCT shares in the ADR program under the ticker symbol "LVCLY".

A study, published in the peer-reviewed scientific Journal of Biomedical Materials, was announced on

Living Cell Technologies Limited

Directors' Report

For the Year Ended 30 June 2007

7. Other items continued

b After Balance Date Events continued

1 August. This compared the stability and longevity of the company's micro-encapsulation technology to other baseline technologies. The study revealed that the company's biocapsules, when implanted in rats, were able to survive for a longer period in the abdomen that other technologies, addressing the question as to why the company's technology is regarded as superior to others in the industry.

On 23 August 2007 Dr David Brookes was appointed to the Board of the company as an independent director, to replace Charles Macek on the Board, whose resignation was formalised on 24 August 2007.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which 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 financial years.

Signed in accordance with a resolution of the Board of Directors:

Director: ....

Dated this .... day of 2007

Corporate Governance Statement

The company was admitted to the Australian Stock Exchange (ASX) on 1 September 2004 and it was proposed that all of the best practice recommendations of the ASX Corporate Governance Council would be implemented during the financial year ended 30 June 2005. Implementation of the Corporate Governance Policy is in progress and the current status is summarised below:

The board of directors of the company is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement is unchanged in comparison to the year before last, when the Statement had been modified due to the introduction of the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. These disclosures have been updated for the current year where circumstances have changed. The Corporate Governance Statement for Living Cell Technologies Ltd is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1. Lay solid foundations for management and oversight
Principle 2. Structure the board to add value
Principle 3. Promote ethical and responsible decision making
Principle 4. Safeguard integrity in financial reporting
Principle 5. Make timely and balanced disclosure
Principle 6. Respect the rights of shareholders
Principle 7. Recognise and manage risk
Principle 8. Encourage enhanced performance
Principle 9. Remunerate fairly and responsibly
Principle 10. Recognise the legitimate interests of stakeholders

Living Cell Technologies Ltd's corporate governance practices were in place throughout the year ended and were fully compliant with the Council's best practice recommendations apart from the following recommendations:

Recommendation 2.1 A majority of the board should be independent directors
Due to the size of the company, and the strategic relationships, the directors have determined that it is inappropriate to increase the number of directors to the size where there can be a majority of independent directors. However, this decision does not limit the size of the board, nor preclude the appointment of additional independent directors in the future.

At present three out of the total of six directors on the board are independent. ie. 50%.

Recommendation 4.3 The board should establish an audit committee and structure the audit committee so that it consists of only non-executive directors, a majority of independent directors and at least three members.
The board established an audit committee, but due to the size of the board it is not possible to meet the recommendation of having at least three members, the majority of which are independent.

Restrictions imposed on individual directors as a result of the Sarbanes-Oxley regime limit the number of audit committees they can be members of, which has resulted in the LCT Board's being unable to involve all the independent directors, due to audit committee responsibilities with other companies.

Recommendation 8.1 Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.

Corporate Governance Statement continued

The company has no formal board / committee / director evaluation process at present.

For further information on corporate governance policies adopted by the company, refer to our website: ***www.lctglobal.com***

Board Composition

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report section on "Directors' Information, commencing on page 2. Directors of Living Cell Technologies Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective.

The name of independent directors of the company are:
Simon O'Loughlin
Charles Macek (resigned 24 August 2007)
Laurie Hunter
David Brookes (appointed 23 August 2007)

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

Trading Policy

The company's policy regarding directors and employees trading in its securities, is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this reflected in the security's prices.

Audit Committee

An Audit Committee has been formed and is responsible for:

- overseeing and appraising the quality of the external audit and the internal control procedures, especially in the following areas:
  - financial reporting and practices;
  - business ethics, policies and practices;
  - accounting policies; and
  - management and internal controls;
- providing, through regular meetings, a forum for communication between the board, senior financial management staff involved in internal control procedures and the external auditors; and
- enhancing the credibility and objectivity of financial reports with other interested parties, including creditors, key stakeholders and the general public.

The Audit Committee comprises a minimum of one independent director who will chair the meetings (Simon O'Loughlin). The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Company Secretary may be invited to attend the meetings but are not members of the committee.

The Audit Committee will meet independently of all employees of the company and with the external auditors at least once a year.

Remuneration Policies

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the company

A full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period, please refer to the remuneration report, which is contained within the Director's Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team.

A Remuneration Committee has been formed to:

- set policies for senior officers' remuneration;
- set policies for directors' remuneration;
- make specific recommendations to the board on remuneration of directors and senior officers;
- set the terms and conditions of employment of a Chief Executive Officer (CEO);
- undertake a detailed review of the CEO's performance, at least annually, including setting, with the CEO, goals for the coming year and reviewing progress in achieving these goals; and
- approve the recommendations of the CEO on the remuneration of all line managers.

The Remuneration Committee comprises two independent directors and the Remuneration Committee does not contain any executive directors. The Remuneration Committee presently comprises Simon O'Loughlin and Charles Macek, both independent directors.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Compliance Committee

A Compliance Committee will be formed to be responsible for:

- setting, reviewing and ratifying corporate compliance policies;
- overseeing the implementation of a corporate compliance system including, but not limited to:
    - liquidity;
    - financial and secretarial;
    - tax returns;
    - licences and permits;
    - safety;
    - environment;
    - industrial relations, including employment contracts;
    - quality assurance, including good manufacturing practice;
    - trade practices;
    - privacy;
    - insurance;
    - risk management; and
    - equal opportunity and anti-discrimination;
- referring to the board, if necessary, any substantial matters arising from compliance reviews.

The Compliance Committee will comprise of at least one independent director. The CEO will also be a member of the committee and act as chairman. Additionally, the Company Secretary will be a member of the committee.

Nomination Committee

A Nomination Committee has been formed to:
- devise criteria for board membership;
- identify specific candidates with skills for nomination;
- provide advice on corporate governance;
- make recommendations to the board for new directors and membership of corporate governance committees;
- assist the chairperson in advising directors about their performance and possible retirement; and
- monitor management succession plans, including the CEO and line management.

The Nomination Committee presently comprises Simon O'Loughlin and Charles Macek, both independent directors. The CEO is not a member of the Nomination Committee.

Scientific Committee

The Scientific Committee has been formed and is responsible for review and reporting to the Board of:
- Scientific developments and improvements;
- Regulatory matters associated with the science;
- Feasibility of commercialisation and research of existing and new products; and
- Patents and other intellectual property developments.

The Scientific Committee is chaired by an independent adviser to the Board. The CEO is not a member of the Scientific Committee.

Living Cell Technologies Limited

Income Statement

For the Year Ended 30 June 2007

		Consolidated		Parent	
		2007	2006	2007	2006
	Note	$	$	$	$
Revenue - trading	2(a)	**18,211**	1,307	**-**	458
Other revenue	2(b)	**926,573**	290,740	**87,008**	87,992
Employee costs		**(3,354,737)**	(3,288,153)	**(188,215)**	(144,557)
Employee costs - Share / Option based remuneration		**(147,175)**	(220,130)	**(147,175)**	(220,130)
Depreciation, amortisation and impairments		**(197,556)**	(188,344)	**-**	-
Finance costs		**(294,001)**	(1,862)	**(293,971)**	(1,103)
Freight and cartage		**(24,836)**	(21,871)	**-**	-
Advertising		**(55,175)**	(34,438)	**(7,448)**	(2,707)
Contingent rental on finance leases		**-**	(4,016)	**-**	-
Research and development costs		**(1,148,518)**	(1,071,512)	**-**	(608)
Writedown loans to recoverable amounts		**-**	-	**(4,862,431)**	(5,352,275)
Lease expenses		**(312,685)**	(328,616)	**-**	-
Travel Expenses		**(264,790)**	(302,107)	**160,359**	(167,208)
Consulting and professional fees		**(536,392)**	(752,957)	**(625,114)**	(634,756)
Printing and stationery		**(52,936)**	(58,718)	**(25,327)**	(35,177)
Telephone and fax		**(82,112)**	(82,833)	**(1,100)**	(5,885)
Foreign currency gains (losses)		**309,013**	(278,406)	**185,765**	73,271
Auditors remuneration	21	**(93,732)**	(75,663)	**(81,042)**	(64,973)
Computer expenses		**(48,131)**	(43,644)	**(10,400)**	(2,944)
Repairs and maintenance		**(50,932)**	(52,856)	**-**	-
Other expenses		**(577,411)**	(305,532)	**(458,989)**	(169,789)
Loss before income tax		**(5,987,322)**	(6,819,611)	**(6,268,080)**	(6,640,391)
Income tax expense	3	**-**	-	**-**	-
Loss attributable to members of the parent entity		**(5,987,322)**	(6,819,611)	**(6,268,080)**	(6,640,391)

Earnings Per Share:

Continuing operations:					
Basic & diluted earnings per share (cents per share)	4	**(4.50)**	(6.30)	**-**	-

Living Cell Technologies Limited

Balance Sheet

As At 30 June 2007

		Consolidated		Parent	
		2007	**2006**	**2007**	**2006**
	Note	**$**	**$**	**$**	**$**
ASSETS					
Current assets					
Cash and cash equivalents		**2,449,768**	2,956,379	**2,004,303**	2,525,651
Trade and other receivables	5	**32,793**	1,277	**19,345**	4,885
Inventories	6	**43,308**	32,488	**-**	-
Other assets	7	**41,888**	12,430	**19,261**	-
Total current assets		**2,567,757**	3,002,574	**2,042,909**	2,530,536
Non-current assets					
Property, plant and equipment	9	**909,089**	949,361	**-**	-
Biological assets	10	**340,600**	306,229	**-**	-
Total non-current assets		**1,249,689**	1,255,590	**-**	-
TOTAL ASSETS		**3,817,446**	4,258,164	**2,042,909**	2,530,536
LIABILITIES					
Current liabilities					
Trade and other payables	12	**408,725**	512,753	**182,969**	114,647
Financial liabilities	13	**1,877,982**	-	**1,877,982**	-
Provisions	15	**129,411**	61,935	**-**	-
Total current liabilities		**2,416,118**	574,688	**2,060,951**	114,647
Non-current liabilities					
Interest bearing liabilities	13	**-**	1,887,418	**-**	1,887,418
Total non-current liabilities		**-**	1,887,418	**-**	1,887,418
TOTAL LIABILITIES		**2,416,118**	2,462,106	**2,060,951**	2,002,065
NET ASSETS		**1,401,328**	1,796,058	**(18,042)**	528,471
EQUITY					
Share capital	17	**29,872,385**	24,685,152	**29,872,385**	24,685,152
Reserves	18	**1,070,404**	654,247	**1,087,016**	626,858
Distributable reserve	18	**(29,541,461)**	(23,543,341)	**(30,977,443)**	(24,783,539)
TOTAL EQUITY		**1,401,328**	1,796,058	**(18,042)**	528,471

Living Cell Technologies Limited

Statement of Changes in Equity

For the Year Ended 30 June 2007

2007 Consolidated

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Convertible Instruments Reserve	Total
	$	$	$	$	$	$
Balance at 1 July 2006	**24,685,152**	**(23,543,341)**	**27,389**	**549,474**	**77,384**	**1,796,058**
Shares issued during the year	**5,872,799**	**-**	**-**	**460,157**	**-**	**6,332,956**
Loss attributable to members of parent entity	**-**	**(5,987,322)**	**-**	**-**	**-**	**(5,987,322)**
Transaction costs	**(685,566)**	**-**	**-**	**-**	**-**	**(685,566)**
Adjustments from translation of foreign controlled entities	**-**	**(10,797)**	**(44,000)**	**-**	**-**	**(54,797)**
Sub-total	**5,187,233**	**(5,998,119)**	**(44,000)**	**460,157**	**-**	**(394,729)**
Balance at 30 June 2007	**29,872,385**	**(29,541,460)**	**(16,611)**	**1,009,631**	**77,384**	**1,401,329**

2006 Consolidated

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Convertible Instruments Reserve	Total
	$	$	$	$	$	$
Balance at 1 July 2005	19,536,574	(16,730,364)	-	329,344	-	3,135,554
Loss attributable to members of the parent entity	-	(6,819,611)	-	-	-	(6,819,611)
Shares issued during the year	5,427,486	-	-	-	-	5,427,486
Transaction costs	(278,908)	-	-	-	-	(278,908)
Equity portion of Convertible Notes	-	-	-	-	77,384	77,384
- foreign currency translation reserve	-	-	27,389	-	-	27,389
Adjustments from translation of foreign controlled entities	-	6,634	-	-	-	6,634
Option reserve on recognition of options expense	-	-	-	220,130	-	220,130
Sub-total	5,148,578	(6,812,977)	27,389	220,130	77,384	(1,339,496)
Balance at 30 June 2006	24,685,152	(23,543,341)	27,389	549,474	77,384	1,796,058

Living Cell Technologies Limited

Statement of Changes in Equity

For the Year Ended 30 June 2007

2007 Parent

	Ordinary Shares	Accumulated Losses	Option Reserve	Convertible Instruments Reserve	Total
	$	$	$	$	$
Balance at 1 July 2006	**24,685,152**	**(24,709,362)**	**549,474**	**77,384**	**602,648**
Shares issued during the year	**5,872,799**	**-**	**460,157**	**-**	**6,332,956**
Profit attributable to members of the parent entity	**-**	**(6,268,080)**	**-**	**-**	**(6,268,080)**
Transaction costs	**(685,566)**	**-**	**-**	**-**	**(685,566)**
Sub-total	**5,187,233**	**(6,268,080)**	**460,157**	**-**	**(620,690)**
Balance at 30 June 2007	**29,872,385**	**(30,977,442)**	**1,009,631**	**77,384**	**(18,042)**

2006 Parent

	Ordinary Shares	Accumulated Losses	Option Reserve	Convertible Instruments Reserve	Total
	$	$	$	$	$
Balance at 1 July 2005	19,536,575	(18,066,864)	329,344	-	1,799,055
Profit attributable to members of the parent entity	-	(6,640,391)	-	-	(6,640,391)
Shares issued during the year	5,427,485	-	220,130	-	5,647,615
Transaction costs	(278,908)	-	-	-	(278,908)
Equity portion of convertible note	-	-	-	77,384	77,384
- foreign currency translation reserve	-	(2,107)	-	-	(2,107)
Sub-total	5,148,577	(6,642,498)	220,130	77,384	(1,196,407)
Balance at 30 June 2006	24,685,152	(24,709,362)	549,474	77,384	602,648

Living Cell Technologies Limited

Cash Flow Statement

For the Year Ended 30 June 2007

		Consolidated		Parent	
		2007	**2006**	**2007**	**2006**
	Note	**$**	**$**	**$**	**$**
Cash from operating activities:					
Receipts from customers		**829,711**	1,470	**-**	-
Payments to suppliers and employees		**(6,463,835)**	(6,625,221)	**(5,795,580)**	(6,451,814)
Dividends received		**397**	239	**-**	-
Interest received		**97,207**	103,522	**87,008**	87,992
Finance costs		**(39)**	(90,860)	**(9)**	(90,101)
Net cash provided by (used in) operating activities	22	**(5,536,559)**	(6,610,850)	**(5,708,581)**	(6,453,923)
Cash flows from investing activities:					
Acquisition of property, plant and equipment		**(157,283)**	(256,951)	**-**	-
Net cash provided by (used in) investing activities		**(157,283)**	**(256,951)**	**-**	-
Cash flows from financing activities:					
Proceeds from issue of shares		**5,705,308**	5,427,485	**5,705,308**	5,427,485
Proceeds from borrowings		**-**	2,053,800	**-**	2,053,800
Repayment of borrowings		**-**	(26,690)	**-**	-
Payment of transaction costs		**(518,075)**	(278,907)	**(518,075)**	(278,907)
Net cash provided by (used in) financing activities		**5,187,233**	7,175,688	**5,187,233**	7,202,378
Net increase (decreases) in cash held		**(506,609)**	307,887	**(521,348)**	748,455
Cash and cash equivalents at beginning of year		**2,956,377**	2,648,490	**2,525,651**	1,777,196
Cash and cash equivalents at end of year		**2,449,768**	2,956,377	**2,004,303**	2,525,651

Living Cell Technologies Limited

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies

(a) General information

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Living Cell Technologies Limited and controlled entities, and Living Cell Technologies Limited as an individual parent entity. Living Cell Technologies Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Living Cell Technologies Limited and controlled entities, and Living Cell Technologies Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of Preparation

(i) Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(ii) Going Concern

The financial report has been prepared on the basis that the Group is a going concern. The directors recognise that, as with other research based companies, there is a significant going concern risk associated with the Group. However, the Directors consider the going concern basis of preparation is appropriate because they are confident that the Group will be able to secure sufficient investment funding to enable the Group to continue to meet business objectives. In this regard, initiatives being taken include capital raising initiatives focused on raising additional share capital from accredited investors, predominantly existing shareholders, high net worth individuals and qualified professional investors. The Group is working with three investment banks in the United States (on a non-exclusive basis) to secure the required investment funding.

(c) Principles of Consolidation

A list of controlled entities is contained in Note 23 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

1 Statement of Significant Accounting Policies continued

(c) Principles of Consolidation continued

A controlled entity is an entity Living Cell Technologies Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

(d) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

1 Statement of Significant Accounting Policies continued

(e) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(g) Inventories

Inventories consist of materials used in laboratory testing and are measured at the lower of cost and net realisable value.

(h) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(i) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	
Plant and Equipment	7.5% - 48%
Furniture, Fixtures and Fittings	9.5% - 50%
Motor Vehicles	26%
Office Equipment	18% - 80.4%
Leasehold improvements	7.5 - 9.5%

1 Statement of Significant Accounting Policies continued

(i) Property, Plant and Equipment continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(j) Biological Assets

Biological assets are initially recorded at cost.

(k) Investments

Non-current investments are carried at the lower of cost and recoverable amount. The carrying amount of non-current investments is reviewed annually by directors to ensure that it is not in excess of the recoverable amount of these investments.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(l) Intangibles

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(m) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount and where a carrying value exceeds the recoverable amount, the asset is written down.

1 Statement of Significant Accounting Policies continued

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(p) Interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.
Finance lease liability is determined in accordance with the requirements of AASB 117 "Leases".

(q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(r) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of services is recognised upon the delivery of the service to the

1 Statement of Significant Accounting Policies continued

(s) Revenue continued

customers.

Revenue from unconditional government grants received is reported as income when the grant becomes receivable. If such a grant is conditional it is recognised as income only when the conditions have been met.

All revenue is stated net of the amount of goods and services tax (GST).

(t) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The Group operates an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expenses over the vesting period is determined by reference to the fair value of the shares of the options granted.

(u) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(v) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly

1 Statement of Significant Accounting Policies continued

(v) Income Tax continued

against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(w) Earnings per share

Basic EPS is calculated as net profit/(loss) attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2 Income

(a) Revenue - Trading

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
sale of goods	**755**	1,307	**-**	458
services revenue	**17,456**	-	**-**	-
Total Revenue - Trading	**18,211**	1,307	**-**	458

(b) Other revenue

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**

2 Income continued

(b) Other revenue continued

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
- interest income	**97,207**	103,522	**87,008**	87,992
- dividend income	**397**	238	**-**	-
- donations	**26**	18	**-**	-
- Other income	**81**	-	**-**	-
- Government grants	**828,862**	186,962	**-**	-
Total Other Revenue	**926,573**	290,740	**87,008**	87,992

3 Income Tax Expense

(a) The prima facie tax (benefit), using tax rates applicable in the country of operation, on profit / (loss) from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)				
- economic entity	**(1,588,638)**	(2,025,811)	**-**	-
- parent entity	**-**	-	**(421,695)**	(383,812)
Tax effect of non-allowable & non-assessable items:				
- Deductible capital expenditure	**(38,939)**	(38,939)	**(38,939)**	(38,939)
- Unrealised foreign exchange gains	**(97,227)**	60,500	**(55,729)**	22,117
- Other items (net)	**9,588**	6,484	**1,035**	547
- Tax effect of temporary differences	**13,841**	6,247	**-**	-
- Deferred tax asset not brought to account	**1,701,375**	1,991,519	**515,328**	400,087
Income tax / (benefit) attributable to entity	**-**	-	**-**	-

Notes to the Financial Statements

For the Year Ended 30 June 2007

4 Earnings per share

	Consolidated	
	2007	**2006**
	$	**$**
Loss	**(5,987,322)**	(6,819,611)
Earnings used in calculation of basic and diluted EPS	**(5,987,322)**	(6,819,611)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	**133,326,103**	108,783,974

5 Trade and Other Receivables

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
CURRENT				
Trade receivables	**1,375**	1,247	**-**	-
Prepayments	**767**	-	**-**	-
Other receivables	**30,652**	30	**19,345**	4,885
Total Current Trade & Other Receivables	**32,794**	1,277	**19,345**	4,885

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
NON-CURRENT				
Amounts receivable from:				
- wholly-owned subsidiaries	**-**	-	**19,019,896**	14,157,465
- provision for impairment of receivables from wholly-owned subsidiaries	**-**	-	**(19,019,896)**	(14,157,465)
Total Non Current Trade & Other Receivables	**-**	-	**-**	-

6 Inventories

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Stores at cost	**43,308**	32,488	**-**	-
Total Inventories	**43,308**	32,488	**-**	-

7 Other Assets

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Prepayments	**41,888**	12,430	**19,261**	-
Total Other Assets	**41,888**	12,430	**19,261**	-

8 Financial Assets

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Unlisted investments, at cost				
shares in controlled entities	**-**	-	**8,161,681**	8,161,681
Less: impairment provision	**-**	-	**(8,161,681)**	(8,161,681)
Total Financial Assets	**-**	-	**-**	-

9 Property, plant and equipment

(a) Detailed table

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	**756,559**	660,976	**-**	-
Less accumulated depreciation	**(303,939)**	(178,583)	**-**	-
Total plant and equipment	**452,620**	482,393	**-**	-
Furniture, fixture and fittings				
At cost	**95,556**	76,328	**-**	-
Less accumulated depreciation	**(34,182)**	(19,041)	**-**	-
Total furniture, fixture and fittings	**61,374**	57,287	**-**	-
Motor vehicles				
At cost	**6,461**	5,810	**-**	-
Less accumulated depreciation	**(4,297)**	(3,180)	**-**	-
Total motor vehicles	**2,164**	2,630	**-**	-
Office equipment				
At cost	**168,533**	138,512	**-**	-
Less accumulated depreciation	**(117,600)**	(72,981)	**-**	-
Total office equipment	**50,933**	65,531	**-**	-
Leasehold improvements				
At cost	**488,781**	439,456	**-**	-
Less accumulated depreciation	**(146,783)**	(97,936)	**-**	-
Total leasehold improvements	**341,998**	341,520	**-**	-
Total plant and equipment	**909,089**	949,361	**-**	-
Total property, plant and equipment	**909,089**	949,361	**-**	-

9 Property, plant and equipment continued

(b) Movements in Carrying Amounts

Consolidated

	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Office Equipment	Improvements	Total
Current Year						
Balance at the beginning of year	**482,393**	**57,287**	**2,630**	**65,531**	**341,520**	**949,361**
Additions	**77,492**	**11,246**	**-**	**18,724**	**-**	**107,462**
Disposals	**(10,828)**	**(454)**	**-**	**-**	**-**	**(11,282)**
Depreciation Expense	**(110,169)**	**(12,567)**	**(731)**	**(37,730)**	**(36,358)**	**(197,555)**
Foreign exchange movements	**13,732**	**5,862**	**265**	**4,408**	**36,836**	**61,103**
Balance at 30 June 2006	**452,620**	**61,374**	**2,164**	**50,933**	**341,998**	**909,089**
Prior Year						
Balance at the beginning of year	361,031	62,469	3,998	68,883	386,006	882,387
Additions	237,776	11,980	-	42,793	32,799	325,348
Disposals	-	-	-	(3,559)	-	(3,559)
Depreciation expense	(98,359)	(11,264)	(1,013)	(39,987)	(37,720)	(188,343)
Foreign exchange movements	(18,055)	(5,898)	(355)	(2,599)	(39,565)	(66,472)
Balance at 30 June 2007r	482,393	57,287	2,630	65,531	341,520	**949,361**

Notes to the Financial Statements

For the Year Ended 30 June 2007

10 Biological assets

(a) Value of asset

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Animals - Pig herd at cost	**340,600**	306,229	**-**	-
Total Biological Assets	**340,600**	306,229	**-**	-

(b) Nature of asset

On 30 June 2005 the company purchased a herd of Auckland Island pigs which are critical to plans to produce pig cells for xenotransplantation, because they are free of infectious diseases common with other pig strains and they meet FDA requirements for donors of pig cells for human xenotransplantation.

(c) Significant assumptions

The Auckland Island pig herd has been valued at cost and not depreciated, as fair value cannot be reliably measured, given the highly specialised and unique characteristics of the pig herd.

11 Deferred tax asset

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Deferred tax asset				
Tax losses	**6,139,435**	4,235,023	**1,261,841**	746,512
Total deferred tax asset	**6,139,435**	4,235,023	**1,261,841**	746,512

12 Trade and Other Payables

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Trade payables	**365,288**	438,367	**182,969**	113,718
Accrued employee entitlements	**42,996**	73,161	**-**	-
Other payables	**441**	1,225	**-**	929
Total Trade and Other Payables	**408,725**	512,753	**182,969**	114,647

13 Financial Liabilities

		Consolidated		Parent	
		2007	**2006**	**2007**	**2006**
	Note	**$**	**$**	**$**	**$**
Convertible Note	14	**1,877,982**	1,887,418	**1,877,982**	1,887,418
Total Financial Liabilities		**1,877,982**	1,887,418	**1,877,982**	1,887,418

14 Convertible Notes

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Balance at the beginning of the year	**1,887,418**	-	**1,887,418**	-
Proceeds from issue of convertible notes	**-**	2,053,800	**-**	2,053,800
Transactions costs	**-**	(88,998)	**-**	(88,998)
Net proceeds	**1,887,418**	1,964,802	**1,887,418**	1,964,802
Amount classified as equity	**-**	(77,384)	**-**	(77,384)
Accrued interest	**294,637**	-	**294,637**	-
Foreign exchange gain - unrealised	**(304,073)**	-	**(304,073)**	-
Carrying amount at year end	**1,877,982**	1,887,418	**1,877,982**	1,887,418

On 29 June 2006 the company received proceeds from the issue of Convertible Notes totaling $2,053,800 (being $1,500,000 USD). These convertible notes have an interest rate of 12% per annum, and are due to mature on or after 30 November 2007, with the note holders having the option to convert to ordinary shares at $0.175 per share.

The company can convert the Convertible Note if on or before the maturity date the company issues ordinary shares in a single offering of not less than $12,000,000 USD at a share price of at least the conversion price of the convertible notes ($0.175 per share).

The amount of the convertible notes recognised in equity is net of attributable transaction costs of $3,505.

Notes to the Financial Statements

For the Year Ended 30 June 2007

15 Provisions

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Employee benefits	**129,411**	61,935	**-**	-
Total Provisions	**129,411**	61,935	**-**	-

16 Capital and Leasing Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Payable - minimum lease payments				
- not later than 12 months	**210,985**	182,681	**-**	-
- between 12 months and 5 years	**556,715**	569,640	**-**	-
- greater than 5 years	**276,972**	332,029	**-**	-
Total Operating Lease Commitments	**1,044,672**	1,084,350	**-**	-

The operating leases related to a number of property leases the company has entered into with terms and conditions as follows.

The lease of offices and laboratories in Papatoetoe, New Zealand, is a non-cancellable lease with a 5 year term, with 3 years until expiry and rent payable monthly in advance. Contingent rental provisions require the minimum lease payments shall be reviewed every 2 years.

The animal laboratory lease is non-cancellable lease with a 6 year lease term with 2 ½ years until expiry and a right of renewal for a further 6 year term with rent payable monthly in advance. Contingent rental provisions require the minimum lease payments shall be reviewed every 2 years.

The southern animal facility sub lease is an annually renewable informal agreement with rent payable yearly in advance, with review arrangements annually at 30 June.

The lease of the northern animal facility is non-cancellable lease with a 10 year term, with 8 years until expiry and a right of renewal for a further 10 year term, with rent payable monthly in advance. Contingent rental provisions require the minimum lease payments shall be reviewed every 2 years.

Living Cell Technologies Limited

Notes to the Financial Statements

For the Year Ended 30 June 2007

17 Issued Capital

(a) Issued and paid up capital

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
- - Ordinary shares fully paid	**29,872,385**	24,685,152	**29,872,385**	24,685,152
Total Issued Capital	**29,872,385**	24,685,152	**29,872,385**	24,685,152

(b) Authorised Capital

The authorised share capital of the company is 152,846,910 shares (2006 118,639,933) of nil par value.

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(c) Movements in shares on issue

	2007 Number of shares	**2007** $	**2006** Number of shares	**2006** $
Description Title				
Beginning of the financial year	118,639,933	24,685,152	92,840,681	19,536,574
Issued during the year				
- private share issues	22,756,053	3,868,811	25,162,455	5,281,225
- contractors fees	136,920	20,538	636,797	146,261
Share purchase plan	11,214,004	1,962,450	-	-
- options exercised	100,000	21,000	-	-
Transaction costs in capital raising	-	(685,566)	-	(278,908)
Total	**152,846,910**	**29,872,385**	**118,639,933**	**24,685,152**

(d) Options

For information relating to Living Cell Technologies Limited employee option plan, including details of options issued and lapsed during the financial year and the options outstanding at year-end, as well as information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report in section 5.d of the Directors' Report.

18 Share capital and reserves

(a) Total equity

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Share capital				
Share capital - Ordinary	**29,872,385**	24,685,152	**29,872,385**	24,685,152
Total share capital	**29,872,385**	24,685,152	**29,872,385**	24,685,152
Reserves				
Foreign currency translation reserve	**(16,611)**	27,389	**-**	-
Convertible instruments reserve	**77,384**	77,384	**77,384**	77,384
Option reserve	**1,009,631**	549,474	**1,009,632**	549,474
Total reserves	**1,070,404**	654,247	**1,087,016**	626,858
Accumulated losses				
Opening balance	**(23,543,341)**	(16,730,365)	**(24,709,363)**	(18,066,864)
Foreign currency translation reserve	**(10,798)**	6,635	**-**	(2,107)
Net income/loss for the period	**(5,987,322)**	(6,819,611)	**(6,268,080)**	(6,640,391)
Total accumulated losses	**(29,541,461)**	(23,543,341)	**(30,977,443)**	(24,709,362)
Total Equity	**1,401,328**	1,796,058	**(18,042)**	602,648

(b) Reserves

The foreign currency translation reserve comprises all translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates.

The option reserve reflects the accumulated costs associated with the granting of options to directors and staff.

The convertible instruments reserve is the total of amounts recognised as equity associated with convertible notes issued by the company.

19 Currency translation rates

(a) Detailed table

	Currency	2007 AUD	2006 AUD
Year end rates used for the consolidated balance sheets, to translate the following currencies into Australian dollars (AUD), are:			
	USD	**1.18**	1.37
	NZD	**0.91**	0.82
Average rates of the year used for the consolidated income and cash flow statements, to translate the following currencies into Australian dollars (AUD), are:			
	USD	**1.27**	1.34
	NZD	**0.87**	0.90

20 Key Management Personnel Compensation

(a) Key Management Personnel

Names and positions held of key management personnel in office at any time during the financial year are:

Directors	Position
David Collinson	Director (was CEO until 24 January 2007)
Paul Tan	Executive Director (appointed 23 February 2007) CEO (from 24 January 2007)
Robert Elliott	Medical Director
Alfred Vasconcellos	Executive Director until 27 June 2007 (CEO LCT BioPharma until 31 January 2007)
Executives	
Richard Justice	Chief Financial Officer
Dwaine Emerich	VP of Research & Chief Scientific Officer (until 31 January 2007)
Pairs Brooke	General Manager, LCT Australia
Chris Thanos	Director of Research LCT BioPharma Inc (until 31 January 2007)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

20 Key Management Personnel Compensation continued

(b) Options and Rights Holdings

Number of Options Held by Directors & Key Management Personnel

	Balance 01/07/2006	Granted as Remun-eration	Options Exercised	Net Change Other	Balance 30/06/2007	Total Exer-cisable	Total Unexer-cisable
Directors							
Simon O'Loughlin	150,000	800,000	-	-	950,000	150,000	800,000
Paul Tan	300,000	500,000	-	-	800,000	300,000	500,000
David Collinson	2,123,300	350,000	-	-	2,473,300	2,473,300	-
Robert Elliott	2,123,300	350,000	(100,000)	-	2,373,300	2,373,300	-
Laurie Hunter	-	400,000	-	-	400,000	-	400,000
Charles Macek	-	400,000	-	-	400,000	400,000	-
Specified Executives							
Richard Justice	325,000	800,000	-	-	1,125,000	325,000	800,000
Paris Brooke	-	250,000	-	-	250,000	100,000	150,000
Dwaine Emerich	50,000	-	-	-	50,000	-	50,000
Chris Thanos	80,000	-	-	-	80,000	-	80,000
Total	**5,151,600**	**3,850,000**	**(100,000)**	**-**	**8,901,600**	**6,121,600**	**2,780,000**

The net change other column above includes those options that have been forfeited by holders as well as options issued during the year under review.

(c) Shareholdings

Number of Shares held by Directors & Key Management Personnel

	Balance 01/07/2006	Received as Remun-eration	Options Exercised	Net Change Other*	Balance 30/06/2007
Directors					
Simon O'Loughlin	210,000	-	-	118,571	328,571
Paul Tan	120,000	-	-	28,571	148,571
David Collinson	9,863,142	-	-	214,341	10,077,483
Robert Elliott	1,965,638	-	100,000	136,571	2,202,209
Laurie Hunter	-	-	-	634,956	634,956
Charles Macek	300,000	-	-	28,571	328,571
Specified Executives					
Richard Justice	-	-	-	93,571	93,571
Dwaine Emerich	75,019	-	-	(75,019)	-
	12,533,799	-	100,000	1,180,133	13,813,932

20 Key Management Personnel Compensation continued

(c) Shareholdings continued

* Net change other refers to shares purchased or sold during the financial year.

Notes to the Financial Statements

For the Year Ended 30 June 2007

21 Auditors' Remuneration

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Remuneration of PKF:				
- Auditing or reviewing the consolidated financial report & Australian based subsidiaries	**81,042**	64,973	**81,042**	64,973
- Auditing or reviewing the financial report of other subsidiaries	**12,690**	9,575	**-**	-
- Total	**93,732**	74,548	**81,042**	64,973

22 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Net loss for the period	**(5,987,322)**	(6,819,611)	**(6,268,080)**	(6,640,391)
Non-cash flows in loss:				
Depreciation	**197,556**	188,344	**-**	-
Interest	**294,637**	-	**294,637**	-
Net gain on disposal of property, plant and equipment	**-**	1,633	**-**	-
Net foreign currency (gains) / losses	**(309,013)**	221,894	**(185,765)**	73,272
Share options expensed	**460,157**	220,130	**460,157**	220,130
Convertible note costs	**-**	(88,998)	**-**	(88,998)
changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	**(31,517)**	41,587	**(14,460)**	42,213
(Increase)/decrease in prepayments	**(29,458)**	(2,264)	**(19,260)**	61
(Increase)/decrease in inventories	**(10,820)**	(16,180)	**-**	-
Increase/(decrease) in trade payables and accruals	**(188,256)**	(404,075)	**24,190**	(60,210)
Increase/(decrease) in provisions	**9,344**	19,825	**-**	-
Increase/(decrease) in employee entitlements	**58,132**	26,865	**-**	-
	(5,536,560)	(6,610,850)	**(5,708,581)**	(6,453,923)

23 Controlled Entities

Name	Country of incorporation	Percentage Owned 2007	Percentage Owned 2006
Parent Entity:			
Living Cell Technologies Ltd	Australia		
Subsidiaries of parent entity:			
Living Cell Products Pty Ltd	Australia	**100**	100
LCT Australia Pty Ltd	Australia	**100**	100
Living Cell Technologies New Zealand Ltd	New Zealand	**100**	100
Pancell New Zealand Ltd	New Zealand	**100**	100
LCT BioPharma Inc	USA	**100**	100
Fac8Cell Pty Ltd	Australia	**100**	100
DiaBCell Pty Ltd	Australia	**100**	100
NeurotrophinCell Pty Ltd	Australia	**100**	100

24 Related party transactions

Wholly-owned group transactions

(i) Loans

All loan balances between the companies in the group have been fully provided for and eliminated on consolidation.

(ii) Service Fee

LCT BioPharma Inc, Living Cell Technologies New Zealand Ltd and Pancell New Zealand Ltd charge LCT Products Pty Ltd a service fee based on direct costs incurred and an appropriate mark up. The financial affect of the service fee has been eliminated on consolidation.

Notes to the Financial Statements

For the Year Ended 30 June 2007

25 Segment Reporting

(a) Segment products and locations

The company operates one business segment of research and development and product development into living cell technologies. Geographically, the majority of the research and development was performed in New Zealand and the balance was performed in the USA. The corporate office is located in Australia.

(b) Geographical Segments

	New Zealand		USA		Australia		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$	$	$	$	$
Revenue	$ 3,402,779	$ 2,739,320	$ 1,680,669	$ 1,907,150	$ 89,720	$ 433,880	$ (4,228,384)	$ (4,788,303)	$ 944,784	$ 292,047
Assets	$ 1,522,482	$ 1,036,858	$ 114,482	$ 212,429	$ 2,180,483	$ 3,008,876	$ -	$ -	3,817,447	4,258,163

(c) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, and property, plant and equipment, net of allowances and accumulated depreciation. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

26 Financial Instruments

(a) Interest Rate Risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Floating Interest Rate		Maturing within 1 Year		Maturing 1 to 5 Years		Non-interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$	$	$	$	$
Financial Assets:										
Cash & cash equivalents	**2,449,768**	2,956,379	**-**	-	**-**	-	**-**	-	**2,449,768**	2,956,379
Receivables	**-**	-	**-**	-	**-**	-	**32,794**	1,277	**32,794**	1,277
Total Financial Assets	**2,449,768**	2,956,379	**-**	-	**-**	-	**32,794**	1,277	**2,482,562**	2,957,656
Financial Liabilities:										
Convertible Notes	**-**	-	**1,877,982**	-	**-**	1,887,418	**-**	-	**1,877,982**	1,887,418
Trade & sundry payables	**-**	-	**-**	-	**-**	-	**408,725**	512,753	**408,725**	512,753
Total Financial Liabilities	**-**	-	**1,877,982**	-	**-**	1,887,418	**408,725**	512,753	**2,286,707**	2,400,171

26 Financial Instruments continued

(b) Net fair values

The net fair values of financial assets and liabilities approximate their carrying value.

(c) Financial Risk Management

The Groups activities expose it to a variety of financial risks; currency risk, credit risk and liquidity risk. The Group's manages these risks by having in place risk management programs aimed at ensuring the company conducts its operations in a manner that allows risks to be identified, assessed and appropriately managed. The Group has no hedging arrangements in place to minimise the effects of currency fluctuations.

27 Company Details

Registered office

The registered office of the company is:

Living Cell Technologies Limited
Level 5, NAB House
255 George Street
Sydney NSW 2001

Living Cell Technologies Limited

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 19, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and the economic entity;

2. The Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ....

Dated