



Living Cell Technologies Limited

Consolidated Financial Report

31 December 2014

Living Cell Technologies Limited

CONTENTS

Page

Consolidated Financial Statements

Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Directors' Declaration	14
Independent Auditor's Review Report	15

Living Cell Technologies Limited

Directors' Report

31 December 2014

The directors present their report, together with the financial statements, on the consolidated entity consisting of Living Cell Technologies Limited (LCT) and its controlled entities for the financial half year ended 31 December 2014.

1. General information

Directors

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

Names

Roy Austin (Chairman)
Robert Elliott
Laurie Hunter
Bernard Tuch
Robert Willcocks

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

Company secretary

The following person held the position of company secretary at the end of the financial half year ended 31 December 2014:

Nick Geddes, FCA, FCIS

2. Business review

(a) Operating results

The consolidated loss for the half year amounted to \$(2,372,832) (2013 loss: \$(3,188,238)).

Services provided and cost of services provided have reduced substantially as a result of the restructuring of the 50% joint venture company Diatranz Otsuka Limited (DOL) in April 2014. Research and development has increased due to Otsuka Pharmaceutical Factory, Inc. (OPF) terminating the NTCELL[®] co-development agreement in May 2014.

General and administration expenses have increased due to cost of executives no longer being recovered from DOL as a result of the restructure.

The share of the joint venture loss has reduced due to the recent receipt of NZD3m licencing fee from OPF.

(b) Review of operations

Living Cell Technologies' mission is to improve the wellbeing of people with serious diseases worldwide by discovering, developing and commercialising breakthrough treatments that use the

Living Cell Technologies Limited

Directors' Report

31 December 2014

2. Business review (continued)

(b) Review of operations (continued)

regenerative healing properties of naturally occurring cells.

During the period exciting progress was made in the development of NTCELL for Parkinson's disease. All patients in the Phase I/IIa clinical trial have been implanted with NTCELL. We expect that the trial results will be available in the middle of 2015.

The company is working with its scientific advisors to review results and progress NTCELL towards commercialisation and with the Centre for Brain Research to identify additional neurodegenerative disease targets for clinical studies of NTCELL.

3. Financial review

(a) Financial position

The net assets of the consolidated group have increased by \$2,097,902 from \$8,431,577 at 30 June 2014 to \$10,529,479 as at 31 December 2014. The increase was largely due to the \$3m private placement and \$1.08m share purchase plan, partially offset by losses of the 50/50 owned joint venture, Diatranz Otsuka Limited.

(b) Cash from operations and financing

Net cash flows from operating activities reduced from \$762,854 in the previous period to \$(1,571,328) due to a \$774,059 refund of services fees and prepayment of services fees in the previous period. Cash from financing activities totalled \$4,067,723.

(c) Liquidity and funding

As at 31 December 2014 the consolidated group had \$6,972,225 cash in the bank, compared to \$4,554,399 as at 30 June 2014 and \$5,393,409 at 31 December 2013. This balance is projected to allow the current level of operations to continue for more than one year.

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Living Cell Technologies Limited

Directors' Report

31 December 2014

4. Other items

(a) Significant events during the period

(i) 8 July 2014

Dr Ken Taylor appointed Chief Executive

Ken was appointed NTCELL[®] Programme Director in February and Acting Chief Executive in April. He brings a depth of relevant scientific, regulatory and leadership knowledge and experience to the position of Chief Executive.

(ii) 18 August 2014

Successful second implant of NTCELL for Parkinson's

The second patient in the Phase I/IIa clinical trial of regenerative cell therapy NTCELL for Parkinson's disease was successfully implanted.

(iii) 23 September 2014

Scientific advisors appointed

Professors Roger Barker from Cambridge, Richard Faull from Auckland and Anne Young from Harvard were appointed to review and support the progression of NTCELL towards commercialisation.

(iv) 29 September 2014

Collaboration to develop novel neurological treatments

LCT collaborates with the Centre for Brain Research to identify additional neurodegenerative disease targets for clinical studies of NTCELL.

(v) 8 October 2014

\$3m placement completed and SPP opened

A \$3m private placement to eligible persons resident in New Zealand was completed and a share purchase plan, also at a 10% discount to market, was announced.

(vi) 10 October 2014

JV secures funds to realise potential of DIABECCELL

50% owned joint venture Diatranz Otsuka Limited agreed a loan facility of up to NZD42m from the other shareholder Otsuka Pharmaceutical Factory, Inc.

(vii) 3 November 2014

All patients in Parkinson's clinical trial recruited

All patients in the Phase I/IIa clinical trial of the regenerative cell therapy NTCELL for Parkinson's disease have been recruited.

(viii) 4 December 2014

Share purchase plan raises \$1.08m

The share purchase plan closed, raising \$1.08m.

(viii) 15 December 2014

Final patient in Parkinson's trial successfully implanted

The final patient in the Phase I/IIa clinical trial of regenerative cell therapy NTCELL for Parkinson's disease was successfully implanted.

Living Cell Technologies Limited

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001.

(b) Auditors independence declaration

The lead auditor's independence declaration as required under section 307c of the Corporations Act 2001 for the half year ended 31 December 2014 has been received and can be found on page 5 of the financial report.

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

This declaration is made in accordance with a resolution of the Board of Directors, and is signed for and on behalf of the directors;

Dated at Auckland on the 18th day of February 2015

A handwritten signature in blue ink, consisting of a large, stylized initial 'R' followed by a series of horizontal strokes.

Director:
Roy Austin (Chairman)

DECLARATION OF INDEPENDENCE BY CRAIG MAXWELL TO THE DIRECTORS OF LIVING CELL TECHNOLOGIES LIMITED

As lead auditor for the review of Living Cell Technologies Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Living Cell Technologies Limited and the entities it controlled during the period.



Craig Maxwell
Partner

BDO East Coast Partnership

Sydney, 18 February 2015

Living Cell Technologies Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year to 31 December 2014

	31 Dec 2014	31 Dec 2013
	Note	\$
	\$	\$
Revenue and other income		
Services provided	535,425	4,379,456
Grant income	149,112	165,475
Interest	87,544	111,890
Total revenue and other income	772,081	4,656,821
Cost of services provided	(498,555)	(4,101,109)
Gross profit	273,526	555,712
Expenses		
Research and development	(647,859)	(402,004)
General and administration	(902,111)	(735,925)
Finance costs	-	-
Total expenses	(1,549,970)	(1,137,929)
Operating loss	(1,276,444)	(582,217)
Foreign exchange	239,051	195,698
Share of loss of joint venture	(1,335,439)	(2,801,719)
Loss before income tax	(2,372,832)	(3,188,238)
Income tax	-	-
Loss after income tax from continuing operations	(2,372,832)	(3,188,238)
Other comprehensive income		
Exchange differences on translating foreign operations net of tax	375,608	1,615,599
Other comprehensive income	375,608	1,615,599
Total comprehensive income	(1,997,224)	(1,572,639)
Earnings per share:		
From continuing operations:		
Basic earnings per share (cents)	2	(0.62)
Diluted earnings per share (cents)		(0.62)

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2014 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Financial Position

As at 31 December 2014

	31 Dec 2014	30 Jun 2014
	Note	\$
		\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		4,554,399
Trade and other receivables	5	510,478
TOTAL CURRENT ASSETS		5,064,877
NON-CURRENT ASSETS		
Property, plant and equipment		18,716
Investment in joint venture	6	4,581,011
TOTAL NON-CURRENT ASSETS		4,599,727
TOTAL ASSETS		9,664,604
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables		348,984
Short term provisions		109,984
Deferred income		774,059
TOTAL CURRENT LIABILITIES		1,233,027
NON-CURRENT LIABILITIES		
		-
TOTAL LIABILITIES		1,233,027
NET ASSETS		8,431,577
EQUITY		
Share capital		60,685,600
Reserves		4,320,896
Accumulated losses		(56,574,919)
TOTAL EQUITY		8,431,577

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2014 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Changes in Equity

For the half year to 31 December 2014

31 December 2014

	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2014	356,995,773	60,685,600	(56,574,919)	4,191,808	129,088	8,431,577
Loss attributable to members of the entity	-	-	(2,372,832)	-	-	(2,372,832)
Total other comprehensive income	-	-	-	375,608	-	375,608
Total comprehensive income	-	-	(2,372,832)	375,608	-	(1,997,224)
Shares issued during the period	66,987,731	4,086,915	-	-	-	4,086,915
Cost of capital raising	-	(19,192)	-	-	-	(19,192)
Share-based remuneration	-	-	-	-	27,403	27,403
Balance at 31 December 2014	423,983,504	64,753,323	(58,947,751)	4,567,416	156,491	10,529,479

31 December 2013

	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance as at 1 July 2013	356,995,773	60,685,600	(50,098,517)	2,356,402	308,954	13,252,439
Loss attributable to members of the entity	-	-	(3,188,238)	-	-	(3,188,238)
Total other comprehensive income	-	-	-	1,615,599	-	1,615,599
Total comprehensive income	-	-	(3,188,238)	1,615,599	-	(1,572,639)
Share based remuneration	-	-	-	-	80,611	80,611
Options expired during the period	-	-	40,345	-	(40,345)	-
Balance at 31 December 2013	356,995,773	60,685,600	(53,246,410)	3,972,001	349,220	11,760,411

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2014 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2014

	31 Dec 2014	31 Dec 2013
Note	\$	\$
Cash from operating activities:		
Receipts from customers	733,815	6,891,529
Payments to suppliers and employees	(2,516,275)	(6,346,415)
Grants received	146,263	174,949
Interest received	64,869	42,791
Net cash (used in) / provided by operating activities	(1,571,328)	762,854
Cash flows from investing activities:		
	-	-
Cash flows from financing activities:		
Proceeds from issue of shares	4,086,915	-
Payment of share issue transaction costs	(19,192)	-
Net cash provided by financing activities	4,067,723	-
Net cash increase in cash and cash equivalents	2,496,395	762,854
Cash and cash equivalents at beginning of period	4,554,399	4,504,083
Exchange rate changes on cash and cash equivalents	(78,569)	126,472
Cash and cash equivalents at the end of the period	6,972,225	5,393,409

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2014 Annual Report.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the half year to 31 December 2014

1 Statement of significant accounting policies

(a) Basis of preparation

This general purpose financial report for the interim half-year ending 31 December 2014 has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards AASB134 Interim Financial Reporting.

The financial report covers the consolidated entity of Living Cell Technologies Limited and its controlled entities. The financial report has been presented in Australian dollars, the group's presentation currency. The report consists of the financial statements, notes to the financial statements and the directors' declaration.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report made by Living Cell Technologies Limited for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2014.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Going concern

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2014

2 Earnings per share

The following reflects the income and share information used in the calculation of basic and diluted earnings per share:

	31 Dec 2014	31 Dec 2013
Earnings used to calculate basic EPS (\$)	(2,372,832)	(3,188,238)
Weighted average number of ordinary shares outstanding during the year - No. used in calculating basic EPS	423,983,504	356,995,773
Earnings per share (cents)	(0.62)	(0.89)
Diluted earnings per share (cents)	(0.62)	(0.89)

3 Net asset backing

	31 Dec 2014	30 Jun 2014
Net tangible assets per ordinary share (cents)	2.48	2.36

4 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transaction with related parties:

	31 Dec 2014	31 Dec 2013
	\$	\$
Services fees received from 50% owned joint venture company	535,425	3,908,572
Transactions with related parties	535,425	3,908,572

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2014

5 Trade and other receivables

	31 Dec 2014	30 Jun 2014
	\$	\$
Trade receivables	151,654	421,981
Prepayments	54,146	25,140
Accrued interest	54,208	16,017
Other receivables	53,038	47,340
Total	313,046	510,478

6 Investment in joint venture

	31 Dec 2014	30 Jun 2014
	\$	\$
Opening balance	4,581,011	8,699,984
Foreign exchange movement	398,423	1,844,299
50% of the result for the period	(1,335,439)	(5,693,272)
Total	3,643,995	4,851,011

7 Segment reporting

The consolidated entity only operates one business segment being the research and development and product development into living cell technologies, predominantly in New Zealand.

8 Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2014

9 Company details

The registered office of the company is:

Living Cell Technologies Limited
Level 8, 70 Pitt Street
Sydney NSW 2000

The principal place of business is:

PO Box 23566
Hunters Corner, Manukau, 2155
Auckland, New Zealand

Living Cell Technologies Limited

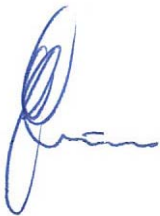
Directors' Declaration

The directors of Living Cell Technologies limited declare that:

- (a) The financial statements and notes, as set out on pages 6 to 13 are in accordance with the Corporations Act 2001 including that they:
 - (i) give a true and fair view of the financial position as at 31 December 2014 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, and is signed for and on behalf of the directors;

Dated at Auckland on the 18th day of February 2015

A handwritten signature in blue ink, consisting of a large, stylized initial 'L' followed by a series of horizontal strokes.

Director

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2014 Annual Report.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Living Cell Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Living Cell Technologies Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Living Cell Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Living Cell Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Living Cell Technologies Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Craig Maxwell'.

Craig Maxwell
Partner

Sydney, 18 February 2015